UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
SEARS HOLDINGS CORPORATION, *et al.*,[1]	:	Case No. 18-23538-rdd
Debtors.	:	(Jointly Administered)

DECLARATION OF KUNAL S. KAMLANI IN SUPPORT OF ESL'S OMNIBUS RESPONSE IN SUPPORT OF THE GOING CONCERN SALE TRANSACTION

I, Kunal S. Kamlani, declare as follows:

1. I am the President of ESL Investments, Inc. ("ESL"), the controlling parent of Transform Holdco LLC ("Buyer" or "New Sears"), which is seeking to purchase substantially all of the businesses and assets of Sears Holdings Corp. (the "Company" or "SHC") and its affiliated debtors and debtors in possession (collectively, the "Debtors" and, together with their non-Debtor affiliates, "Sears" or the "Company"), pursuant to section 363(b) of title 11 of the United States Code (the "Sale").

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); and Sears Brands Management Corporation (5365). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

2. I submit this Declaration in support of the Sale and in response to the objection of the Official Committee of Unsecured Creditors (the "UCC"). Except as otherwise indicated, all facts set forth in this declaration are based upon my personal knowledge, my review of relevant documents, including documents prepared at my direction, and/or my opinion. If I were called to testify, I could and would testify to the facts set forth herein. I am authorized to submit this declaration on behalf of ESL and Buyer.

Background

3. I have served as a member of the Board of Directors of SHC (the "Board") since December 3, 2014, and was originally appointed to serve as a member of the Audit Committee and the Related Party Transactions Subcommittee ("RPTS"). In my capacity as a director, I regularly reviewed Company business plans put together by the management team, including annual plans and monthly forecasts. In March of 2016, Edward S. Lampert asked me to join ESL as its President, at which time I ended my service on the Audit Committee and the RPTS, but continued to serve as a director of the Board.

4. ESL is a multi-billion dollar fund founded by Lampert which takes sizable long-term equity positions in a relatively small number of undervalued companies following investment strategies that some have described as "contrarian." ESL typically works with these companies' management teams and boards in order to realize value. ESL has been a long-term shareholder in Sears. It has been Sears' largest shareholder since 2005 and its goal has always been, and continues to be, maximizing Sears' long-term value. To that end, over the years, ESL has made substantial investment in Sears in the form of money and labor; it has never charged Sears management fees, performance fees, transaction fees or monitoring fees.

5. Through my role with ESL, I have had substantial day-to-day involvement with the Company management team prior to the Auction date. I have reviewed the Company's business plans, including the underlying financial figures and strategy. In addition, I worked closely with management with respect to the Company's finances, including by assisting the Company in managing and finding additional sources of liquidity through loans from third parties and ESL.

6. From 2015 to 2017, concurrent with my involvement with Sears and ESL, I served as a member of the Board of Directors of Staples, Inc., another large national retail chain. Prior to that, I served as CEO of CASP Advisors, an independent advisory firm focused on the global cruise industry, and as CFO and then COO and President of Prestige Cruise Holdings, the parent company of two large cruise lines. I have also served as an Investment Bank Analyst at Bear Stearns, VP of Corporate Development at Starwood Hotels & Resorts, Managing Director and COO of Smith Barney and Head of the Global Investment Solutions division of Bank of America/Merrill Lynch.

ESL's Commitment to and Independence from Sears

7. Since I joined ESL in March 2016, every transaction between ESL and Sears has been reviewed as appropriate by the RPTS or the Special Committee of the Board (the "Special Committee"), which are both subcommittees of the Board comprised wholly of directors who were unaffiliated with ESL. Both subcommittees have been counseled by independent legal and financial advisors who have been considered to be among the experts in their fields. ESL entered into each transaction with Sears on a good faith basis, in each case providing liquidity to Sears in exchange for secured collateral or on an unsecured basis. The RPTS was generally responsible for reviewing potential related-party transactions, and the Special Committee evaluated proposals received from ESL in April 2018 with respect to the sale of certain assets (Kenmore, SHIP and

Parts Direct), to actively solicit third-party interest in those assets and to explore any other alternatives with respect to those assets that may maximize value for the Company.

8. The directors who served on these committees all have had substantial experience as public company directors and have substantial stature and reputation and are of unimpeachable integrity. For example, Ann Reese has served as a director of multiple other public companies (Xerox Corporation, CBS Corporation and Genesee & Wyoming Inc.), as a Principal with Clayton, Dubilier & Rice, and as Executive Vice President and CFO of ITT Corp.; Bill Kunkler is a director or trustee at several of the most important public institutions in Chicago, including the Field Museum, Loyola University and the Northwestern Memorial Foundation and Paul DePodesta's ability to scrutinize data and use it to assess talent and drive execution has revolutionized professional sports in America.

9. The Board and its committees were advised by independent experts, all nationally recognized leaders at the tops of their respective fields, including: (1) Centerview and M-III, financial advisors who advised Sears against filing for bankruptcy in 2017; (2) Wachtell Lipton Rosen & Katz, longtime legal advisor to Sears, the architect of Sears' gold-standard corporate governance, and counsel to Sears for the financing transactions; (3) Citibank, which advised the Board on the sale of the Craftsman brand to Stanley Black & Decker in 2017; (4) Goldman Sachs, which advised the Board on the major credit card transaction with Citibank; (5) Weil Gotshal, legal advisor to the RPTS; (6) Eastdil, which served as financial advisor to the RPTS; (7) Teneo, a business advisor to Sears; and (8) Deloitte, Sears' external auditor.

10. In practice, Sears' independent Board has acted independently, including by rejecting a number of transactions proposed by ESL. For example, in April 2018, the Board did not accept ESL's proposal to acquire Kenmore and the Home Improvement and Parts Direct

business of Sears Home Services, and in September 2018, the Board and ESL discussed but did not reach agreement on potential liability management transactions, real estate transactions and asset sales that would extend near-term debt maturities, reduce long-term debt, eliminate associated cash interest obligations and obtain additional liquidity.

11. As the Company approached a potential chapter 11 filing in October 2018, it brought on two additional independent directors, William Transier and Alan Carr, who are experienced restructuring professionals and immediately became the two members of a Subcommittee (the "Subcommittee") of the Restructuring Committee comprised of Reese, DePodesta, Transier and Carr. The Restructuring Committee was established to consider and evaluate various strategic alternatives available to Sears and its affiliates, and empowered to recommend a transaction to the Board, while the Subcommittee was established for the purpose of investigating potential causes of action in connection with pre-petition transactions and evaluating and approving any credit bid or settlements with ESL, and authorized to prosecute or settle potential claims. Paul Weiss and Evercore were retained to advise the Subcommittee.

The ESL Bid

12. On October 15, 2018, SHC and dozens of its subsidiaries filed a Chapter 11 petition. Following the filing, I worked closely with our advisors to formulate each of the discrete bids submitted by ESL as part of the sale process spanning from the beginning of the case to January 17, 2019, and was centrally involved in the contentious negotiations with the Debtors and their advisors that informed each bid. During the formal four-day auction held from January 14 through 17 (the "Auction"), I was the primary representative of ESL in the around-the-clock negotiating sessions that eventually led to the acceptance of ESL's final bid (the "Winning Bid"), as reflected in the Asset Purchase Agreement submitted to this Court on January 18, 2019 (the "APA").

13. Following months of rigorous and often contentious arm's-length negotiations with the Debtors (including the Subcommittee) and their advisors, the Winning Bid provides the Debtors with $5.2 billion in aggregate value, reflecting more than $800 million in consideration above ESL's December 28 bid. Under the bid, ESL has agreed to credit bid, roll-over or otherwise discharge nearly $2 billion of its senior secured debt in Sears, and has effectively subordinated that debt – which otherwise would have enjoyed priority due to its secured status – to the claims of other creditors, putting its own funds at risk for the success of Buyer's business plan. The Winning Bid satisfies nearly all of the Debtors' senior secured debt and provides consideration for other creditors (including unsecured creditors), eliminating the burden of billions of dollars of claims against the Debtors' estates. The Winning Bid is also the only available opportunity to preserve the jobs of approximately 45,000 Sears associates, while returning severance pay to pre-petition levels.

14. The ESL bid underwent numerous iterations in the months-long arms-length negotiations with the Debtors (including the Subcommittee) and their advisors pursuant to the court-approved bidding procedures. ESL first submitted a written indication of interest in acquiring substantially all of the Debtors' assets as a going concern on December 5, 2018, including approximately 500 stores and related real estate interests, inventory, infrastructure, Sears Auto Centers, Shop Your Way, Kenmore, DieHard, Monark, Innovel, Sears Home Services and material related contracts. ESL's bid offered $4.6 billion in total value, including up to $950 million in cash; a credit bid of approximately $1.8 billion; $500 million in a combination of cash, notes, equity and/or waiver or assignment of deficiency claims; roll-over of $271 million in cash collateral supporting the L/C Facility and the assumption of approximately $1.1 billion of liability

with respect to Sears Home Services protection agreements, certain gift cards and Shop Your Way accrued points.

15. Following the submission of ESL's expression of interest, the Debtors changed the assets that they were offering for sale, initiating a process to close an additional 80 Sears stores. Three weeks later, on December 28, ESL submitted a definitive going concern bid, which was modified to account for the pending closure of the 80 Sears stores. This definitive bid offered $4.4 billion in total value, including up to $900 million in cash, a credit bid of approximately $1.3 billion, the roll-over and release of the Debtors with respect to $501 million of senior indebtedness, the assumption of approximately $1.1 billion in additional liabilities, and in exchange for certain releases, a total of $35 million in cash and the rights to purchase $100 million of non-voting securities in the new company.

16. In the early evening of January 2, 2019, representatives of ESL met with three of the four members of Sears' Restructuring Committee to discuss ESL's going concern proposal. A few hours after that meeting concluded, I was informed that the December 28 Bid would not be designated a qualified bid. After further discussions the next day, ESL worked to respond to issues raised by the Subcommittee. On January 4, 2019, ESL presented an improved bid that included assuming responsibility for an additional approximately $225 million in administrative liabilities. Despite this material improvement, the Debtors informed counsel for ESL that this improved proposal had also been rejected.

17. ESL made a further improved proposal on the evening of January 5, 2019, which included the uncapped assumption of "cure costs," estimated to be as much as $180 million. Late in the afternoon of January 6, 2019, ESL was again told that its going concern proposal would not be qualified. On January 7, 2019, ESL proposed to assume an additional $257 million of additional

administrative liabilities and, in exchange, to acquire certain additional assets. In total, between December 28, 2018 and January 7, 2019, ESL agreed to take responsibility for an additional $482 million in administrative claims, plus cure costs in an uncapped amount. Even with these improvements, the Subcommittee rejected ESL's bid.

18. Late at night on January 7, 2019, ESL's counsel sent a letter to the Sears Board demanding that it immediately override the Subcommittee's decision and that the failure to do so would constitute a breach of fiduciary duty. Negotiations continued the next day, narrowing the gap between ESL and the Debtors to approximately $80 million. After a Chambers Conference on January 8, 2019, ESL submitted a revised bid on January 9, 2019, improving its going concern bid by over $600 million, increasing the total value of the bid to over $5 billion and reducing the conditionality that was part of the December 28 bid. The improved bid involved the assumption of another $663 million in additional liabilities, including up to $166 million of payment obligations with respect to goods ordered by Debtors prior to the closing of the proposed transactions (but as to which goods Debtors have not yet taken delivery and title prior to closing), up to $139 million of certain administrative priority claims, up to $135 million in property taxes, and all cure costs related to assumed contracts, estimated to be up to $180 million. The bid also included $35 million in cash and other good and valuable consideration as settlement of certain potential claims and the right for ESL to credit bid.

19. On January 9, as part of this bid, and as required by the Court, ESL submitted a $120 million deposit, $17.9 million of which was designated as non-refundable, to cover what the Debtors represented to be the cost of delaying liquidation until the Auction. With this, the Debtors designated ESL's improved as qualified under the court-approved bidding procedures. At the beginning of the Auction on January 14, ESL submitted yet another improved bid, addressing the

Debtors' concerns as to conditionality, adding the assumption of liabilities related to environmental law and forfeiting its deposit in a situation where ESL failed to close on certain financing.

20. The final bid, submitted at the Auction on January 15, provided for over $5.2 billion in total consideration, including an additional $120 million in assumed liabilities consisting of the junior DIP rollover, an obligation to pay up to $19 million in transfer taxes, the assumption of $4 million in mechanics' liens and up to $17 million in cash to purchase the cash that will be located in the stores following closing. The final bid also included $35 million in cash and other good and valuable consideration for allowance of ESL's $2.4 billion in secured claims and ESL's right to credit bid (the "Credit Bid Release"). In response to Debtors' concerns as to the conditionality of the bid, ESL: (1) removed the condition precedent requiring an amendment to the Seritage master lease; (2) modified the closing conditions related to the delivery of inventory and receivables to make it easier for the Debtors to satisfy those conditions; (3) provided the estates with the benefit of any inventory and receivables in excess of amounts required to satisfy closing conditions; (4) subject to lender approval, removed the marketing period requirement and eased the required information delivery obligations for marketing the Buyer's financing; (5) accelerated the timing of assumed payment obligations; (6) removed the requirement that holders of protection agreements affirm their agreements before the Buyer assumes those obligations and (7) extended the obligation to continue employee compensation and benefits through the fiscal year ending in 2020.

21. In short, over a limited period of time, the Debtors continued to make a number of aggressive responses to ESL's bids and ensured that ESL would offer additional consideration

before the Debtors even agreed to accept an ESL bid as qualifying and then agreed to accept it as the Winning Bid.

22. On January 16, 2019, the Debtors selected ESL's final bid as the Winning Bid. On January 17, 2019, the Debtors and ESL executed the APA.

23. The APA includes several closing conditions, all of which I expect to be satisfied given my familiarity with the Company's current financial condition based on discussions with management. In particular, based on agreements with our financing parties, $400 million in excess availability must be available under Buyer's ABL at close. To facilitate this, the Debtors must deliver roughly $1.65 billion of inventory and receivables, and the amount of outstanding indebtedness that Buyer will assume under the DIP Credit Agreement and Junior DIP Term Loan is capped at $850 million and $350 million, respectively, for a total of $1.2 billion. I believe this condition will be satisfied. If the Company's outstanding debt under the DIP Credit Agreement and Junior Term Loan is less than $1.2 billion at closing, Buyer will receive a credit against the liabilities it has committed to assume under the APA. Certain other conditions to closing have already been satisfied. For instance, as of January 30, 2019, the KCD IP, LLC Board of Managers has agreed to grant the Trademark License Agreement to Buyer. ESL has not been asked by the Debtors to waive any conditions to closing.

24. ESL was transparent in its participation in the Auction at all times. With each iteration of its bid, ESL publicly filed a Schedule 13D with the Securities and Exchange Commission, thereby making the terms of each bid widely available to the public, including any competing bidders. The bids provided a benchmark for other parties to provide additional value had any chosen to make a bid of their own and to compete with ESL's bid. Ultimately, none did. Given these contentious and transparent negotiations, it is hard to see how anyone could argue that

there was anything other than a robust sales and negotiation process. Furthermore, any claim by that ESL improperly attempted to interfere with its purchase of SHIP is entirely false, as ESL did not discuss including SHIP in the APA until the final days of the Auction, when the Debtors' advisors raised a concern that the proposed transaction with Service.com might not close due to lack of financing.

25. Under the *Final Order (I) Authorizing the Debtors to (A) Obtain Post-Petition Financing, (B) Grant Senior Secured Priming Liens and Superpriority Administrative Expense Claims, and (C) Utilize Cash Collateral; (II) Granting Adequate Protection to the Prepetition Secured Parties; (III) Modifying the Automatic Stay; and (IV) Granting Related Relief* [Docket No. 955] (the "Final DIP Order"), by virtue of its status as a secured lender under the ABL, FILO Facility, LC Facility and Second Lien Facilities, ESL was granted superpriority claims and liens "to the extent of the aggregate net diminution in value of their interests in the Prepetition ABL Collateral."[2] I understand that these superpriority claims attach to virtually all of the same collateral securing the Prepetition ABL Collateral[3] but are granted priority over other administrative and other claims to the extent of the diminution in the value of ESL's interests in that collateral.

26. ESL holds various tranches of secured debt issued by Sears and its subsidiaries as set forth in Exhibit G of the APA, including approximately $847 million in second-lien debt secured by the ABL Collateral. At the petition date, the ABL Collateral was valued at $3.065 billion, of which $1.927 billion was encumbered by first-lien ABL debt. As a result, the total

[2] Final DIP Order at 45-61.

[3] Such collateral includes but is not limited to "inventory, credit card accounts receivables, pharmacy receivables, prescription lists, deposit accounts, cash and cash equivalents, and proceeds, insurance claims and supporting obligations of the foregoing, together with Cash Collateral." Final DIP Order at 12.

available ABL Collateral for second-lien debt at the petition date was $1.138 billion. By closing, the total amount of ABL Collateral available for second-lien debt is expected to decrease substantially in comparison to the amount at the petition date, giving rise to substantial adequate protection claims of second-lien holders, such as ESL and Cyrus.

27. ESL holds approximately $2.4 billion of senior secured debt of Sears. In Buyer's capital structure, more than $1.3 billion of this debt will be converted into equity. ESL is investing over $300 million in cash to facilitate its credit bid, including buying out other senior debt holders under the IP/Ground Lease, the FILO Facility, the Real Estate Loan 2020 and the Sparrow mortgage debt. Furthermore, ESL will be extending substantial long-term credit to New Sears, including a minimum of $106 million of the New Letter of Credit Facility and $87.5 million as part of the three-year Real Estate Loan. ESL therefore has much to lose if Buyer's go forward business plan is not successful.

The Genesis and Viability of the Business Plan

28. Following the petition date, and after ESL decided to pursue a going concern proposal, I helped prepare a go forward business plan for the assets ESL proposed to buy from the estate. A true and correct copy of the final version of that business plan is attached as Exhibit A, and dated January 24, 2019 (the "Business Plan"), and a true and correct copy of the Liquidity Analysis prepared in connection with the Business Plan, dated January 24, 2019, is attached as Exhibit B. A Private Supplement to the Business Plan was introduced as Exhibit 13 during the January 25, 2019 deposition of Robert Riecker. The Business Plan was presented to the lending banks participating in the ABL facility to convince them to participate in that facility. In part based on the Business Plan, the lending banks agreed to participate in the ABL facility.

29. The Business Plan was based on a business plan created by Company management and the Company's advisors shortly after Sears filed for bankruptcy to market the business for auction. A true and correct copy of that plan is attached as Exhibit C, and dated December 2018 (the "Company Plan"). The Company Plan was created completely independently of ESL, Mr. Lampert, me, and ESL's advisors. Neither ESL nor any of its associates or advisors had any input on the Company Plan.

30. The Company Plan outlines a go forward business plan for a new company with a 505 store footprint with 2019 projected revenue of $8.55 billion, EBITDA of $117 million, and a $525 million reduction in SG&A. The Company Plan projects gross margin of 38.6% for 2019, and a difference of negative 2.4% in same store sales for 2019 compared to 2018. The Company Plan projects days payable outstanding ("DPO") to grow from 5 days to 60 days in 2.5 years.

31. The Business Plan, like the Company Plan, retains ownership or use rights (via licensing arrangements) of Sears' marquee brands and operating businesses, including Kenmore, a historic brand of large and small home appliances; Sears Home Services, which provides home repair services and services contracts; and Innovel, a best in class logistics provider.

32. I, assisted by others from ESL and our financial advisors from Moelis & Company ("Moelis"), performed substantial due diligence on the Company Plan throughout November and December. Among other things, I and advisors from Moelis attended intensive in-person sessions at the Company's headquarters in Hoffman Estates, Illinois from November 13, 2018 through November 15, 2018. Also present were two representatives from the retail division of Citibank, a party under Sears' prior ABL facility, and a lender under the new ABL facility. During those sessions, the Moelis team and I reviewed the data and strategies underlying the Company Plan with management and requested and reviewed a substantial amount of supporting documentation.

My understanding is that ESL had no greater access to the Company Plan and the due diligence materials than any other person interested in submitting a bid and willing to sign a non-disclosure agreement.

33. The Business Plan, like the Company Plan, projects that New Sears will have a capital structure to ensure that the company meets debts as they come due for the foreseeable future. Some of the key assumptions in the Business Plan, like in the Company Plan, relate to same store sales growth ("SSS"), selling, general and administrative expenses ("SG&A"), gross margin, and DPO. All of those assumptions were modeled off of the Company Plan and, while not without risk, should be reasonably achievable.

34. Same Store Sales: The Business Plan projects SSS on a 425 store footprint of negative 1% in 2019, and then positive 2% in 2020 and 3% in 2021. That compares to the Company Plan's assumption of a 505 store footprint, projecting a slightly more conservative negative 2.4% in the Company Plan in 2019, then a more aggressive positive 2.7% in 2020 and 3.5% in 2021.

35. The Business Plan is slightly more aggressive than the Company Plan as to SSS in 2019 but less aggressive in 2020 and 2021. The Company Plan was based on a 505 retail store footprint that contained more stores that were not EBITDA positive compared to the Business Plan. By contrast, the Business Plan is based on the 425 retail stores that the Debtors ultimately offered for sale, which are collectively EBITDA positive and comprise some of the Company's best performing stores historically, and does not include the 80 stores (which are collectively

EBITDA negative and are in the process of being closed) that had been included in the Company's Plan. The modification to the Company Plan is thus reasonable.

36. The historical information ESL received from the Company with respect to the recent performance of 505 stores in the Company Plan further bolsters the Business Plan. In particular, the Company's records showed that SSS for the 505 stores increased substantially in the months preceding the bankruptcy, from negative 15% in February 2018 to 0% in September 2018, inclusive of online sales. A more recent analysis performed by the Company, a true and correct copy of which is attached as Exhibit D, shows that the 425 store footprint generated SSS in September 2018 of 2.7% inclusive of online sales, and negative 0.4% on a "four wall" basis. It is particularly noteworthy that these September sales occurred in an environment where Sears was facing imminent maturities and liquidity pressures. If Sears' SSS growth improved to 0% in September 2018, in the difficult environment it faced then, there is a reasonable basis to believe that New Sears can achieve, or beat, the projection of negative 1% SSS growth in 2019.

37. Indeed, the Business Plan's projection of negative 1% SSS for 2019 is a conservative one, as it is *below* the SSS that the 425 footprint generated in September 2018, when the company was saddled with a substantial debt burden and speculation regarding bankruptcy that reduced consumer confidence.

38. Moreover, there is a reasonable basis to believe that SSS growth for New Sears will be substantially greater than that for Sears. In particular, New Sears will benefit from a much lighter debt load, with $1.1 billion of funded debt compared to $5.9 billion for Sears prior to the bankruptcy. In addition, New Sears will leave behind approximately $1.7 billion in pension claims, alleged by the Pension Benefit Guaranty Corporation in these proceedings. Based on my experience on the Board of Sears, I believe that SSS is typically impacted by the greater risk

presented by a company with a very heavy debt load such as the pre-petition Sears. This is particularly true because of the importance of sales of appliances, service agreements, and warranty packages that are affected by consumers' level of confidence regarding whether Sears will exist for the lifetime of the product. With an improved capital structure, there is every reason to believe that New Sears' SSS growth will increase more than pre-petition Sears.

39. SG&A: Given the smaller retail footprint as compared to the Company Plan, the Business Plan projects a reduction in SG&A expenses to $656 million in 2019. The Company Plan projected a reduction to $701 million (i.e., a $499 million reduction compared to a $544 million reduction). I have no reason to question the Company's Plan which was subject to extensive due diligence by us and others and I have good reason to believe that the Business Plan will meet its projections.

40. In particular, I understand from the Company that over 60% of the SG&A reduction is already underway, and that the Company has already realized actual SG&A reductions of $141 million since November 2018. Given the progress already made toward SG&A, the similarity to the Company Plan, and the Business Plan's optimized store footprint, I can reasonably expect New Sears to achieve the SG&A reductions projected by the Business Plan.

41. Improvement In Accounts Payable Days Outstanding: As mentioned, the Company Plan projects days payable outstanding to grow from 5 days to 60 days in 2.5 years. The Business Plan forecasts that DPO will increase from 22 days pre-petition to 32 days by July 2019, as vendors regain confidence in Sears. The Business Plan projects DPO to hold steady at 32 through the end of 2019, and improve to 37 days in 2020 and 42 days in 2021. The ESL projection is reasonable, and conservative. New Sears should be able to negotiate better trade terms with vendors due to its enhanced balance sheet, improved liquidity, and footprint of EBITDA positive stores, and because

vendors will be taking less risk due to New Sears' reduced inventory size. As a result, I expect New Sears to see an improvement in the average number of DPO for goods received, which is a key driver of liquidity.

42. In my view, the 32 day DPO forecast for New Sears is a conservative projection. The average DPO of comparable retail businesses is approximately 50 days, and by way of example, J.C. Penney Company, Inc. maintained DPO of 43.5 days in 2017 despite suffering significant losses during the fiscal year. Even a slight improvement in actual performance over the 32-day projection will generate substantial liquidity for New Sears, as a one-day increase in DPO translates to approximately $10 million in increased liquidity.

43. Margin: The Business Plan projects consolidated gross margin of 39% in 2019, 38% in 2020 and 39% in 2021. That is comparable to the 39% of gross margin in 2019 projected by the Company Plan, which is 37% in 2020 and 37% in 2021.

44. The gross margin projections are reasonable. New Sears will enjoy a more favorable 425 store footprint as compared to the Company Plan, as well as assortment optimization and in-stock replenishment initiatives that are expected to drive $80 million in incremental EBITDA in 2019.

45. As to retail gross margin, the Business Plan projects 29.4% for 2019, 31.0% for 2020 and 33.2% for 2021, which is more conservative in 2019 than the 29.8% projected by the Company Plan for 2019, and comparable to the 30.6% and 31.9% projected by the Company Plan (with its less optimized store footprint) for 2020 and 2021. These figures place New Sears below or at comparable retail businesses, which have average gross margins between 31% and 33%.

46. EBITDA: The overall EBITDA projections in the Business Plan are more conservative in the near term than those in the Company Plan. The Business Plan projects

EBITDA of $25 million in 2019, $171 million in 2020, and $378 million in 2021 compared to $117 million, $204 million, and $311 million respectively in the Company Plan.

47. Finally, it is worth noting in assessing the viability of the Business Plan the strength of the businesses that New Sears will own and the brands it will continue to have the right to use. They include world class brands such as Sears Home Services, Kenmore, DieHard, Monark, Innovel and Sears Auto Centers. These businesses all have the potential to operate in tandem to generate substantial value. New Sears will also acquire an extensive real estate portfolio, providing fundamental value and stability to the company going forward. This stability, as well as increased certainty around the size of the new footprint, and the healthier balance sheet will enhance New Sears' ability to form new partnerships and strengthen existing ones. Thus, while it is impossible to predict the future and while no business plan can prescribe everything that will happen in the years to come, I have every reason to believe that the New Sears will thrive, for investors, creditors, Sears associates and other counterparts. ESL is willing to invest its funds and its senior debt to obtain that result.

* * *

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed: February 1, 2019
New York, New York

Kunal S. Kamlani

Exhibit A


sears
kmart.
Lender Presentation
January 24, 2019

Cautionary Statement: Forward-Looking Info

Certain statements made in this presentation contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning future financial performance and liquidity, business strategy, plans, goals and objectives. Statements preceded or followed by, or that otherwise include, the words "believes," "expects," "anticipates," "intends," "estimates," "plans," "forecast," "is likely to" and similar expressions or future or conditional verbs such as "will," "may" and "could" are generally forward-looking in nature and not historical facts. Such statements are based upon the current beliefs and expectations of the Company's management and are subject to significant risks and uncertainties, many of which are beyond the Company's control, which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: our ability to achieve cost savings initiatives; vendors' lack of willingness to do business with us or to provide acceptable payment terms or otherwise restricting financing to purchase inventory or services; our ability to effectively compete in a highly competitive retail industry; our ability to offer merchandise and services that our members and customers want; our ability to successfully implement our integrated retail strategy to transform our business into a member-centric retailer; our ability to successfully manage our inventory levels; initiatives to improve our liquidity through inventory management and other actions; the effect of worldwide economic conditions, an economic downturn, a renewed decline in customers' spending patterns, inflation and changing prices of energy; our failure to execute effective advertising efforts; the negative impact as a result of the recapture rights included in the Master Leases in connection with the Seritage transaction and the JV transactions; disruptions to our computer systems which are used to implement our integrated retail strategy, process transactions, summarize results and otherwise manage our business; our ability to maintain the security of our members and customers, associate or company information; payment-related risks that could increase our operating costs, expose us to fraud or theft, subject us to potential liability and potentially disrupt our business operations; the impact of the seasonality of our business and customers spending patterns on the annual operating results; our dependence on sources outside the United States for significant amounts of our merchandise, which may be impacted by changes in U.S. and international trade regulations, including new or increased duties, tariffs, retaliatory tariffs, trade limitations and termination or renegotiation of the North American Free Trade Agreement; our reliance on third parties to provide us with services in connection with the administration of certain aspects of our business; impairment charges for goodwill and intangible assets or fixed-asset impairment for long-lived assets; our ability to attract, motivate and retain key executives and other associates; our ability to protect or preserve the image of our brands and our intellectual property rights; the effect of product safety concerns or claims concerning the services we offer; the outcome of future legal proceedings, changes in laws and government regulations, product liability, patent infringement and qui tam claims; our failure to comply with federal, state, local and international laws; consumer spending impacted by weather conditions and natural disasters; increases in employee wages and the cost of employee benefits; the ability to right-size our operating model; our ability to consummate sales of our store base and other assets, including on the expected time-lines or the terms and conditions of any such sales; and our ability to implement operational improvement efficiencies.

Today's Presenters

Rob Riecker
Office of the CEO – Chief Financial Officer

Leena Munjal
Office of the CEO – Chief Digital Officer

Greg Ladley
Office of the CEO – President of Apparel and Footwear

Kunal Kamlani
President – ESL Investments, Inc.

Transaction Overview

Transaction Summary

- On January 17, 2019, Sears Holdings Corporation announced that ESL Investments, Inc. was selected as the winning bidder in the Bankruptcy Court auction

- Subject to Bankruptcy Court approval, ESL will acquire substantially all of the Company's assets, including the "Go Forward Stores" on a going-concern basis (“New Sears”) for approximately $5.2 billion
  - 425 stores (consists of 223 Sears and 202 Kmart banners)
  - Synergistic network and interdependent ecosystem of business segments to unlock value of the franchise, including Sears Auto Centers, Shop Your Way, Monark, Innovel, Sears Home Services (incl. PartsDirect) and the rights to the Kenmore and DieHard brands

- The debt financing supporting the acquisition will consist of the following:
  - $1,300 million ABL Credit Facility
    - Up to $1,050 million ABL Revolver ($360 million drawn at close)
      - ABL Revolver size reduced by any increase in FILO Term Loan size
    - Minimum $250 million FILO Term Loan
    - $400 million minimum Excess Availability at closing
  - $350 million rollover of the existing Junior Dip
  - $175 million Real Estate Debt

- The proposed transaction is expected to close in early February, subject to approval by the Bankruptcy Court and the satisfaction of customary closing conditions

Sources & Uses and Pro Forma Capitalization

($ in millions)

Sources	Amount
New ABL Revolver ($1,050)[1]	$360
New ABL FILO Term Loan	250
ESL Real Estate Debt Bridge[3]	175
Citi L/C Facility	271
Rolled Junior DIP	350
New Equity / Credit Bid	1,352
Home Services PA/Gift Card/Points	1,090
AP Liability/Admin Exp/Assump. Sparrow Debt	1,266
Total Sources	$5,114

Uses	Amount
Purchase Consideration	$2,082
Rolled Citi L/C Facility	271
Rolled Junior DIP	350
Rolled Home Services PA/Gift Card/Points	1,090
AP Liability/Admin Exp/Assump. Sparrow Debt	1,266
Transaction Fees & OID	55
Total Uses	$5,114

($ in millions) Pro Forma Capitalization	Maturity	Pricing	Amount At Closing
Cash and Cash Equivalents			$–
ABL Revolver ($1,050)[1]	5 years[2]	L + 375-400 bps	360
ABL FILO Term Loan	5 years[2]	TBD	250
ESL Real Estate Debt Bridge[3]	3 years	L + 850 bps	175
Rolled Junior DIP	5 years	L + 1,300 bps[4]	350
Total Funded Debt			**$1,135**
Citi L/C Facility	--	L + 1,100 bps	271
Total Obligations			**$1,406**

(1) *Excludes $118 million of letters of credit.*
(2) *Includes a springing maturity of 90 days prior to the maturity of the ESL Real Estate Debt Bridge.*
(3) *Located at a non-guarantor, special purpose entity.*
(4) *Represents PIK interest rate.*

Summary of Terms for ABL Credit Facilities

Borrowers:	Each domestic subsidiary of New Sears which owns any ABL Priority Collateral
Guarantors:	All existing and future direct and indirect material domestic subsidiaries of New Sears, subject to certain exceptions
Security:	A perfected first priority lien on substantially all working capital assets and pharmacy scripts ("ABL Priority Collateral"); second lien on substantially all other assets excluding owned or ground leased real property
Facilities:	$1,300MM ▪ ABL Revolver: Maximum of $1,050MM (reduced dollar for dollar for any increase in FILO Term Loan) ▪ ABL FILO Term Loan: Minimum of $250MM
LC Sublimit:	$250MM in Year 1 (allowing new LCs above current amounts under Revolver), thereafter $400MM and allow Citi L/C facility movement subject to PF Excess Availability ≥ the greater of (i) 25% of the Line Cap and (ii) $250MM
Swingline Sublimit:	$100MM
Maturity:	5 Years (springing maturity to 90 days inside maturity of the Real Estate debt facility and any other debt maturities > $50MM)
Borrowing Base:	<u>Equal to the sum of:</u> a) 90% of eligible credit card receivables; b) 85% of eligible pharmacy receivables; c) 85% of the NOLV of eligible pharmacy scripts (at 30% of the borrowing base); d) 90% of the appraised NOLV of eligible inventory; e) 90% of the appraised NOLV of eligible in-transit inventory; f) Less Reserves
Pricing:	▪ <u>ABL Revolver:</u> Based on an availability-based grid outlined below: ▪ <u>ABL FILO Term Loan:</u> TBD

Excess Availability	LIBOR Margin & Letter of Credit Fees	Base Rate Margin
≥ 50% of Revolving Commitments	3.75%	2.75%
< 50% of Revolving Commitments	4.00%	3.00%

Undrawn Fee:	<u>ABL Revolver:</u> 50 bps
LIBOR Floor:	0.00%
Amortization:	None
Line Cap:	Lesser of (a) the sum of (i) aggregate Revolver commitments and (ii) the FILO Term Loan amount outstanding and (b) the borrowing base
Revolver Line Cap:	Lesser of the aggregate Revolver commitments and the borrowing base
Excess Availability:	Line Cap, minus Revolver borrowings, minus letters of credit minus the FILO Term Loan amount outstanding
Cash Dominion:	Springing when Excess Availability is < the greater of (i) 12.5% of the Line Cap and (ii) $125MM for 3 business days during any 30 day period
Borrowing Base Reporting:	Monthly, springing to weekly when Excess Availability < the greater of (i) 15% of the Line Cap and (ii) $150MM for 3 business days during any 30 day period
Exams & Appraisals:	2x per annum in Year 1, thereafter 1x per annum, springing to 2x when Excess Availability < greater of (i) 25% of Line Cap and (ii) $250MM
Financial Covenant:	Year 1: Minimum Excess Availability equal to the greater of (i) 10% of the Revolver Line Cap and (ii) $75MM Thereafter: Springing 1.00x FCCR when Excess Availability < the greater of (i) 10% of the Revolver Line Cap and (ii) $75MM
Optional Prepayments:	▪ <u>ABL Revolver:</u> Prepayable anytime at par ▪ <u>ABL FILO Term Loan:</u> 102 / 101 hard call
Mandatory Prepayments:	Usual and customary for facilities of this type
Negative Covenants:	Usual and customary for facilities of this type
Minimum Closing Date EA:	$400MM Minimum Excess Availability under the ABL Revolver at Closing

Estimated Closing Borrowing Base

($ in Millions)	Closing
Borrowing Base Calculation	
Gross Eligible Inventory	$1,553.0
Total Ineligible[(1)]	(93.2)
Net Eligible Inventory	**$1,459.9**
% NOLV [(2)]	83%
NOLV of Net Eligible Inventory	$1,211.7
Advance Rate	90%
Inventory Available	**$1,090.5**
Credit Card Receivables	64.0
Advance Rate	90%
Credit Card Receivables Availability	**$57.6**
Pharmacy Receivables	10.0
Advance Rate	85%
Pharmacy Receivables Availability	**$8.5**
NOLV of Pharmacy Scripts	27.0
Advance Rate	85%
Pharmacy Scripts Availability	**$23.0**
Gross Borrowing Base	**$1,179.6**
Less: Current Reserve	(50.0)
Total Borrowing Base	**$1,129.6**
Less: Direct Borrowings	(360.0)
Less: L/Cs	(118.0)
Less: FILO Term Loan Outstanding	(250.0)
Excess Availability	**$401.6**

(1) *Illustratively assumes 6.0% ineligible.*
(2) *83% NOLV represents floor at close for purposes of satisfying Closing Date Minimum Excess Availability Condition.*

Indicative Transaction Timeline

January 2019						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	**21**	22	23	24	25	26
27	28	29	30	31		

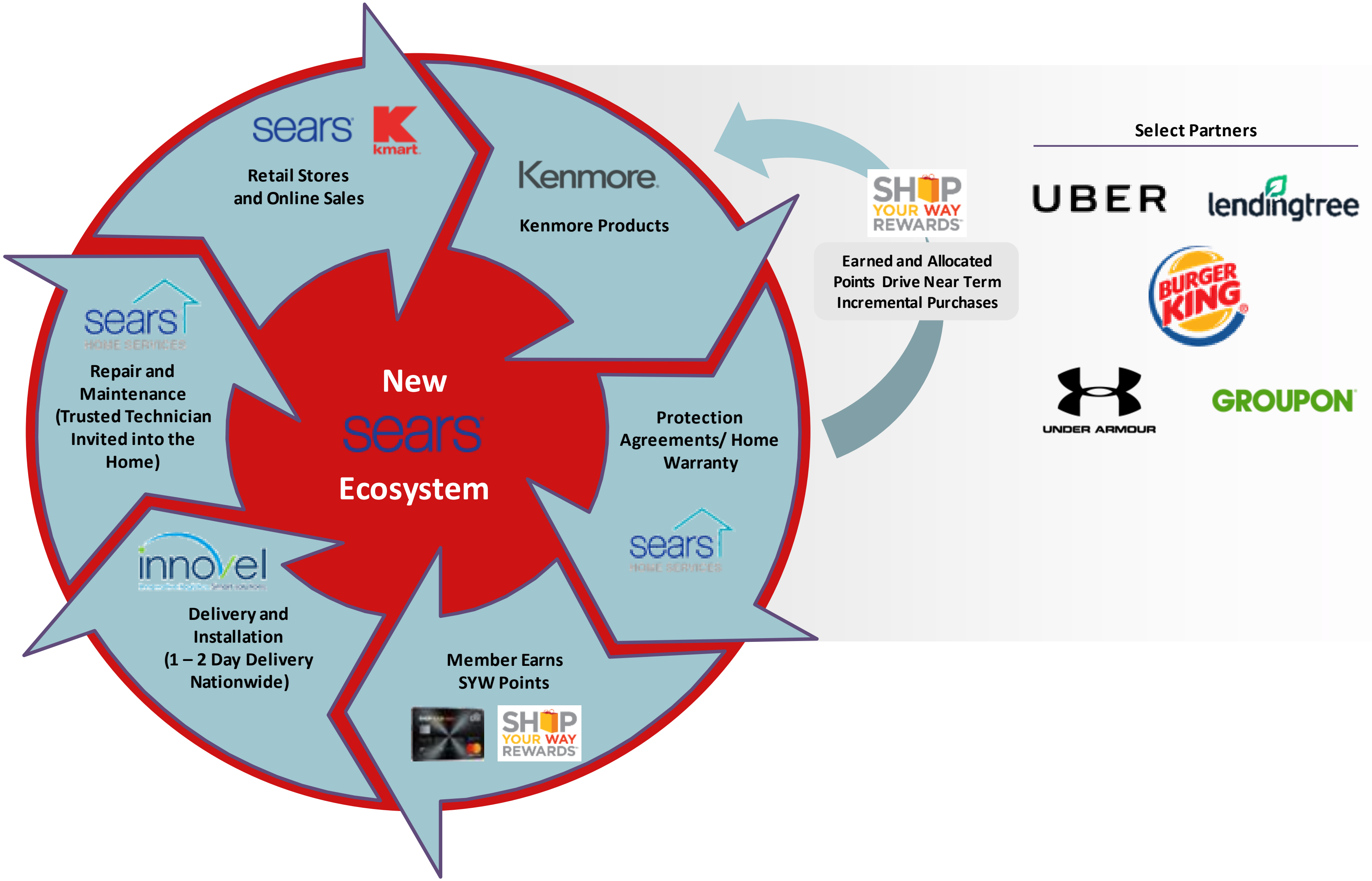
February 2019						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	**18**	19	20	21	22	23
24	25	26	27	28		

Bank Holiday Key Date

Date:	Activity:
Thursday, January 24	• Lender Meeting
Wednesday, February 6	• Commitments Due (12:00pm EST)
Thereafter	• Closing and Effectiveness


sears
kmart.
New Sears Overview

Synergistic and Interdependent Ecosystem



New Sears at a Glance

- New Sears emerges positioned for success
  - Shrink retail footprint and grow 4-Wall EBITDA by eliminating unprofitable stores
  - Cut SG&A by approximately 50%
  - Healthier capital structure creates liquidity runway necessary to execute on the Go Forward Plan

	OldCo[1]	New Sears
Store Count	687	425
Total EBITDA	($621)M FY18E	$25M Projected 2019E
4-Wall, Online, SAC, and SYW EBITDA	$242M FY18E	$338M Projected 2019E (425 Stores)
Inventory	$2.7B as of Petition date	$1.6B
SG&A	$1.2B annual run rate	$656M 2019E annual run rate
Debt	$5.5B	$1.1B
Supply Chain	140 Supply Chain Assets (includes DCs, RDCs, and MDOs)	120 Supply Chain Assets, with opportunities for rationalization (includes DCs, RDCs, and MDOs)
Kenmore & DieHard	Subject to PBGC claim	Retain financial benefit of the brands
Sears Home Services	Part of SHC	Part of New Sears
Protection Agreements	Underwritten by company pre-petition, Assurant post-petition	New Sears will take existing liabilities; Assurant to write PAs for first three years then return to pre-petition structure

New Sears will have $400mm of excess availability at close, providing significant liquidity for the go forward business

(1) As of 10/15/18 (petition date).

ESL Investment Thesis

1 Synergistic and Interdependent Ecosystem:

- Strong physical presence and unique locations to support the digital showroom concept – which is important on big ticket and considered purchases – combined with online penetration, home services, credit, and delivery capabilities make for a powerful network value proposition

2 Strong Brand Recognition and Market Share in Key Segments:

- Currently, Sears is the 3rd largest appliance retailer in the U.S. with a 15.3% market share
  - Lowes has 25.8% share; Home Depot has 17.1%; Best Buy has 13.7%

3 Competitive Advantage:

- Sears is a leading B2C delivery & installation provider through its Innovel logistics business
  - Competitive advantage over other market participants with high barriers to entry
  - Amazon and others continue to seek to leverage Sears' capabilities through its Innovel network
- Expansive Financial Services platform with profitable Citi credit card agreement and multiple avenues for continued growth under the partnership

4 Reengaging in Strategic Initiatives:

- Forge partnerships with strategic partners / investors who can bring complementary capabilities
- Ability to expand reach in hardline categories through scaling the small format concept

5 Highly Disciplined Focus on Leveraging Digital Platform:

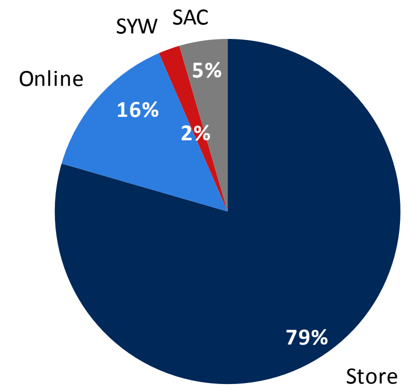
- Robust digital platform (Shop Your Way) which boasts 145MM total registered users including 49MM active users in the last 24 months, 33mm users in the last 15 months, and 15MM redeemers in the past 15 months
  - Personalize pricing capabilities at the member level driven by machine learning data and analytics platform

Sears Retail Business Summary

Business Overview

- Sears' Retail Business consists of its 223 Sears Stores, 202 Kmart Stores and their respective Online presences
- The business is broken into the primary categories below:
  - **Hardlines**: composed of Home Appliances (HA), Consumer Electronics, Tools, Lawn & Garden, Outdoor Living, Sporting Goods, Mattresses, and Monark businesses
  - **Softlines**: composed of Apparel, Footwear, Home, and Jewelry businesses; these businesses sell an assortment of proprietary brands as well as third-party retail options
  - **Sears Auto Centers**: a multi-channel automotive aftermarket service provider offering replacement tires, mechanical diagnostics and repair, vehicle maintenance products and services, batteries and battery-related accessories, as well as automotive accessories and chemicals for cars and light trucks
  - **Grocery & Drugstore, Pharmacy, and Children's Entertainment & Seasonal:** sells grocery, household and pet supplies, beauty care, OTC health & wellness, stationery, party supplies, children's entertainment products, seasonal merchandise, dispenses prescription drugs and performs clinical services

Revenue by Segment



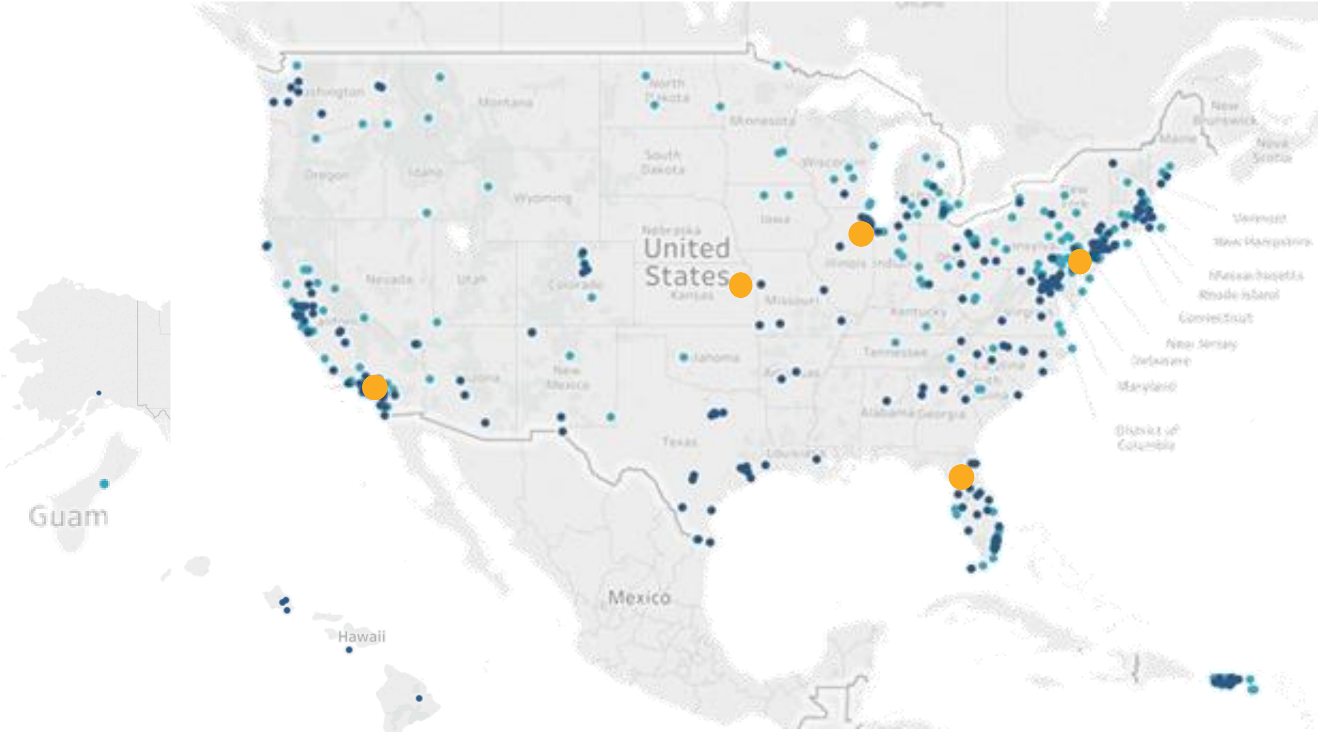
FY 2019E Revenue: $5.8BN Revenue

Preliminary 2019E Forecasted Financials

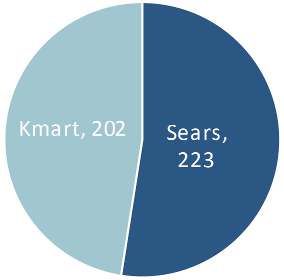
($ mm)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY19
B&M Same Store Sales (% Change)	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*
Brick and Mortar Revenue	$295	$381	$306	$365	$446	$322	$334	$383	$301	$450	$639	$358	$4,581
Sears Auto Center Revenue	19	24	18	19	24	19	20	24	21	22	28	24	262
Online Revenue	62	75	59	74	93	57	68	80	34	80	83	62	826
ShopYourWay	6	11	6	7	10	7	7	9	6	7	15	7	100
Total Revenue	**$382**	**$491**	**$390**	**$465**	**$573**	**$405**	**$429**	**$495**	**$362**	**$559**	**$765**	**$452**	**$5,768**
(-) COGS	(274)	(347)	(260)	(318)	(404)	(278)	(315)	(363)	(255)	(396)	(530)	(331)	(4,072)
Gross Margin	**$108**	**$144**	**$129**	**$147**	**$169**	**$127**	**$114**	**$132**	**$107**	**$163**	**$235**	**$121**	**$1,697**
Margin (%)	*28%*	*29%*	*33%*	*32%*	*29%*	*31%*	*27%*	*27%*	*30%*	*29%*	*31%*	*27%*	*29%*
(-) Operating Expenses	($103)	($118)	($99)	($104)	($122)	($104)	($106)	($122)	($104)	($119)	($137)	($121)	($1,359)
Retail EBITDA	**$5**	**$26**	**$30**	**$43**	**$47**	**$23**	**$9**	**$9**	**$3**	**$44**	**$97**	**$0**	**$338**
Margin (%)	*1%*	*5%*	*8%*	*9%*	*8%*	*6%*	*2%*	*2%*	*1%*	*8%*	*13%*	*0%*	*6%*

Overview of Retail Footprint

- New Sears boasts 425 go-forward stores and 120 Supply Chain Assets (including DCs, RDCs, and MDOs) geographically distributed across the US and US territories
- Five states/territories – California, Florida, Pennsylvania, Puerto Rico, and New York – account for approximately 45% of the store count



STORE COUNT

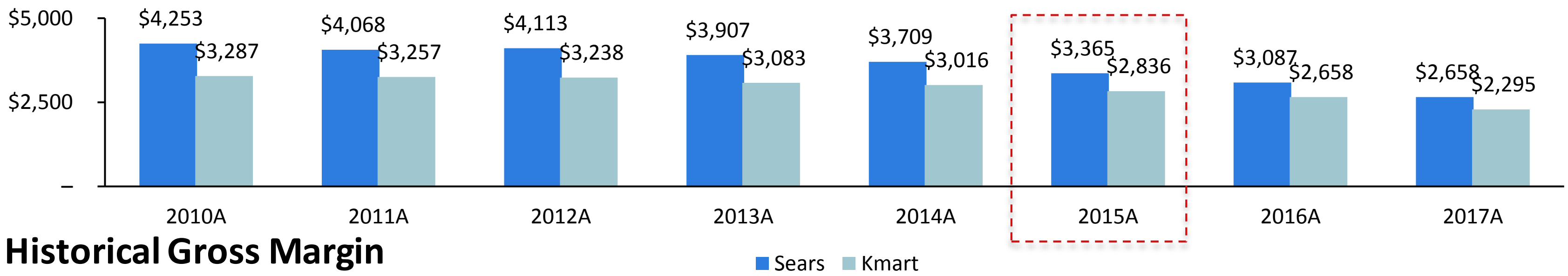


Attractive footprint with geographically diversified assets including retail, industrial and office assets

425 Stores Delivered $317MM of EBITDA In 2015[1]

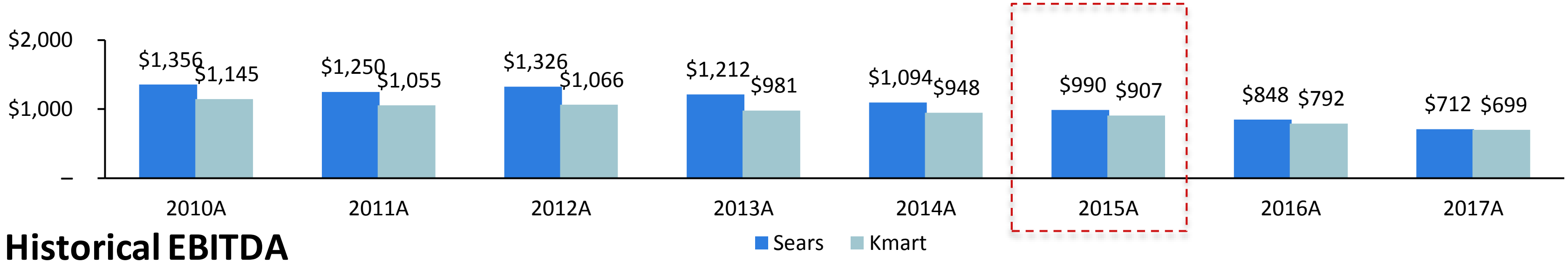
Historical Revenue

($ in Millions)



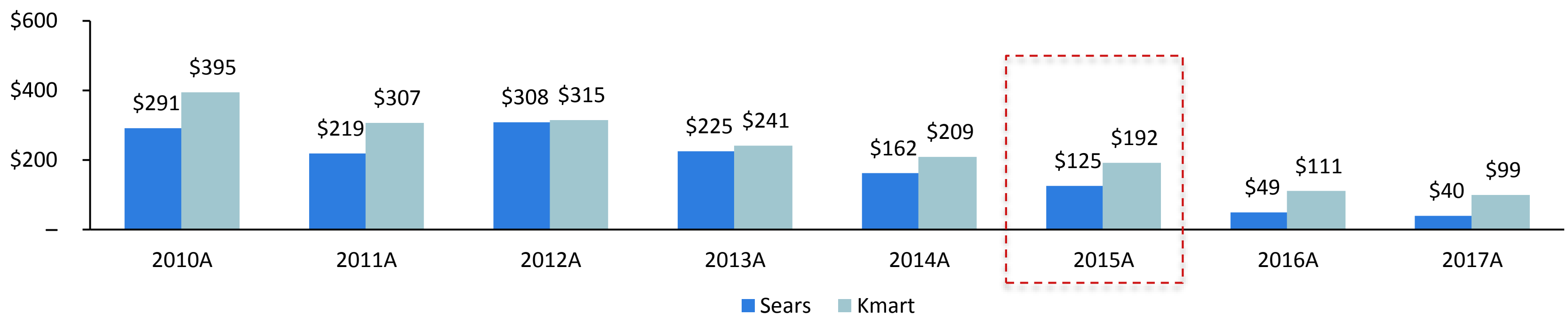
Historical Gross Margin

($ in Millions)



Historical EBITDA

($ in Millions)



(1) *Sears and Kmart store 4-wall financials only; excludes Sears Auto Center, Online and ShopYourWay.*

SSS Improved Significantly Pre-Filing

Initiatives by Segment

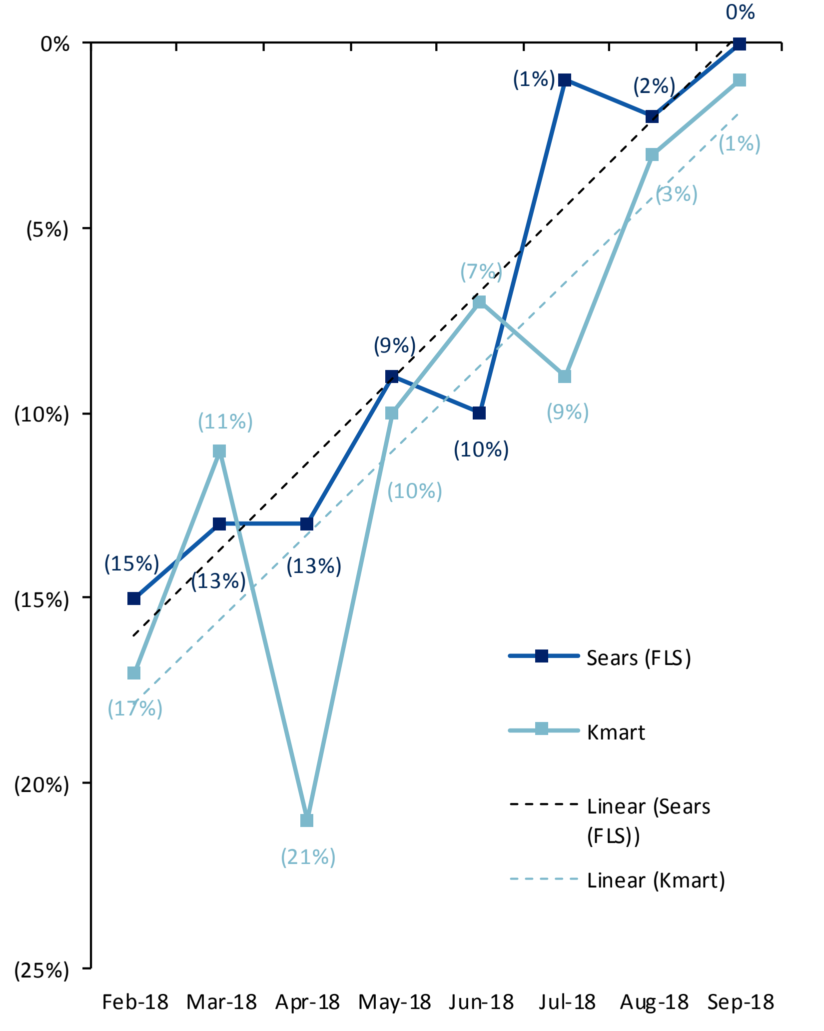
Softlines Initiatives

- ShopYourWay cashback offers are underway, plus prices have been adjusted upwards by lowering promotional marketing dollars to fund points and improve margin dollars
- Adjusting pricing further to lower promotional depth due to increased demand driven by SYW Points to improve margin dollars

Hardlines Initiatives

- Investment in digital marketing (e.g. search engine marketing, data-feeds, affiliates, retargeting)
- Free delivery
- "Mores of Kenmore"
- Creative offers (e.g. bundled promotions; value-positioned product upgrades, etc.)
- Launch of "leasing online"
- Increased focus on shopping recaps (e.g. "abandoned carts" in store to drive purchase online after store visit)
- Leverage of Home Services data to find potential future home appliance buyers (e.g. higher frequency of service on existing old appliances and declined service estimates/quotes)
- Increased television marketing spend

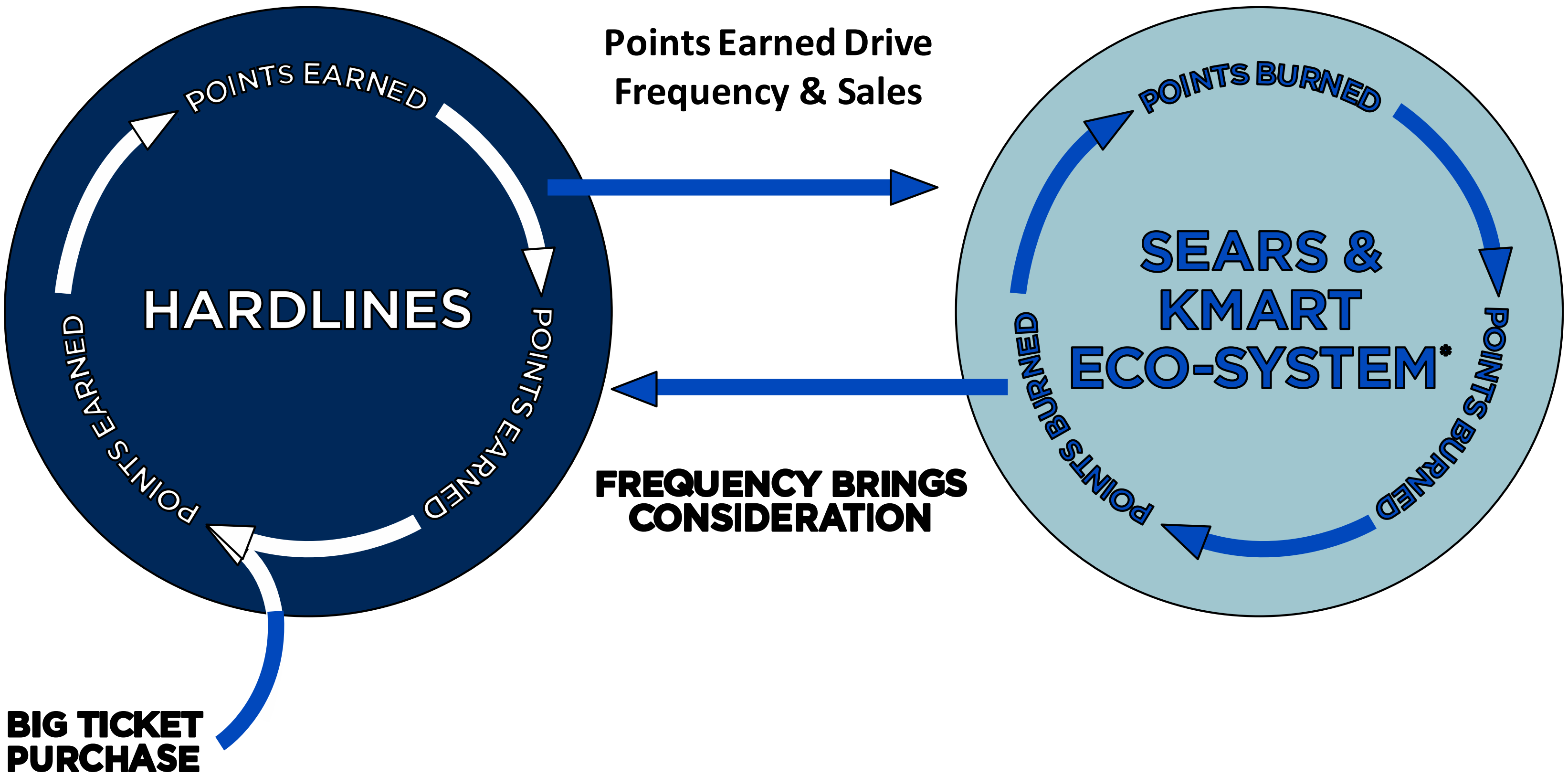
2018 YTD Same Store Sales Comps (% Change) (1)



(1) *Same-store comps based on Company data. Includes online, excludes SAC, and is adjusted for the retail week calendar.*

Apply Learnings from 2018 to Future Programs

The Sears and Kmart Flywheel—Sales and Repeat



Points usually get redeemed in frequency businesses such as apparel, footwear, home, food, grocery, drug, etc but can be redeemed anywhere in Sears and Kmart ecosystem, including Hardlines.

Competitive Hardlines Promotional Strategy

COMPETITIVE PROMOTIONAL MARKDOWN OFFER **+** **ADDITIONAL VALUE WITH SYW CREDIT CARD (FUNDED BY CITI)** **+** **ADDED VALUE WITH SYW POINTS TO DRIVE REPEAT VISITS AT BOTH FORMATS**

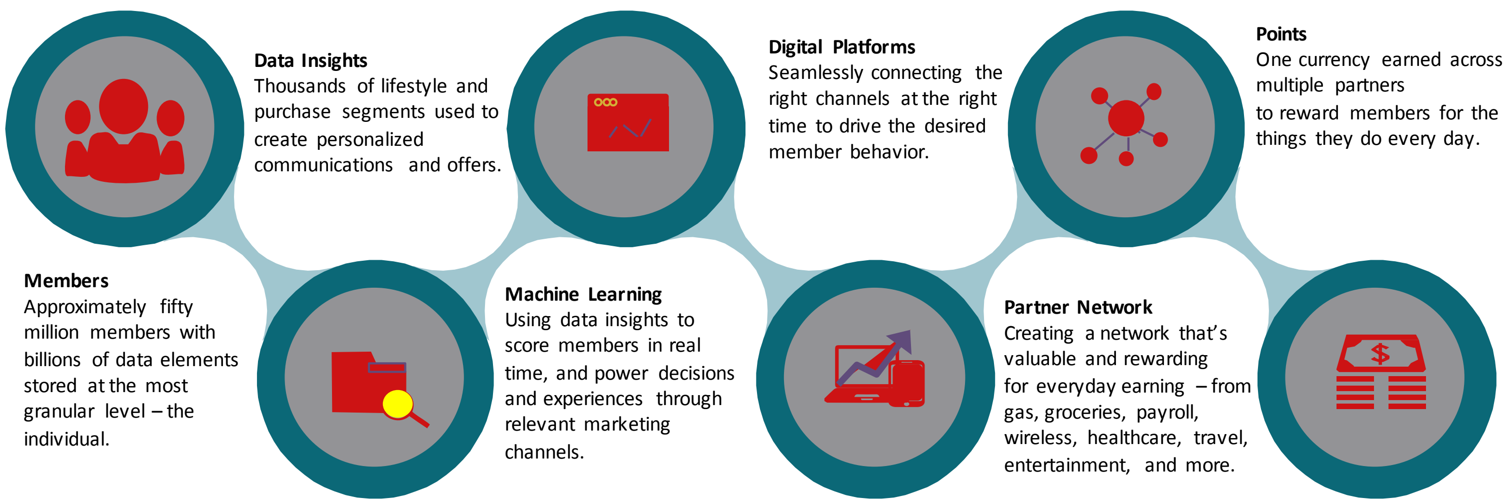
Shop Your Way

Integrating & Digitizing the Sears Platform

Shop Your Way is one of the most sophisticated data, analytics, marketing and rewards engine platforms in the United States. Its advanced data capabilities are the cornerstone of the new Sears experience.

KEY HIGHLIGHTS

- **Shop Your Way leverages unique analytical capabilities and corporate partnerships to create a robust member experience**
  - Creating strong customer relationships is at the core of modern-day retail and building brand equity
  - By leveraging Shop Your Way data, the Company can actively cater to the latest customer trends and effectively plan for the future in an agile manner
- **Shop Your Way provides substantial intelligence to Sears Brick and Mortar Business, as well as its other core operating businesses**



Shop Your Way

SYW Offers a Large Network of Members Value Everyday

Membership at a Glance

49 MILLION
24 MONTH ACTIVE MEMBERS

33 MILLION
15 MONTH ACTIVE MEMBERS

15 MILLION
MEMBERS REDEEMING POINTS – 15 MONTHS

Earn Points For Everyday Goods

Mobile
Subscriptions
Dining
Grocery

SHOP YOUR WAY
REWARDING MEMBERS THROUGH SYW POINTS EVERYDAY

Fuel
Travel
Retail
Entertainment
Financial Services

Spend with Key Partners

UBER
lendingtree
BURGER KING
UNDER ARMOUR
GROUPON

E-Commerce Business

Online Business in the SHC Ecosystem

The Online business leverages and supports the Sears ecosystem by delivering a integrated retail experience for members

- **Traffic:** Generate traffic by making investments in Points, Digital Marketing, and Owned Marketing (email, text, social)
- **Selection:** Online assortment consists of store assortment, online exclusive owned inventory, drop-ship vendors, and marketplace sellers
- **Fulfillment**: Integrated retail capability to ship from warehouse, ship from store, pickup in store, and deliver and install (Innovel)

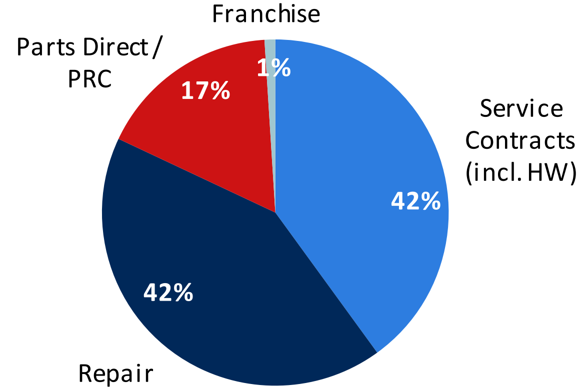
($ in million)	2018 Sales (FCST)		Integrated Retail Channel %			
	Sales $	% of Total SHC	Ship from DC%	Ship from Store %	Store Pickup %	Delivery (Innovel) %
Total Online	$1,449	16%	13%	14%	13%	50%
Sears.com	$1,170	22%	12%	11%	22%	55%
Kmart.com	$156	5%	24%	34%	39%	3%
Marketplace GMV	$122	0%	0%			

Sears Home Services Business Summary

Business Overview

- Sears Home Services ("SHS") provides repair services and service contracts for appliances, electronics, outdoor power equipment, residential heating & cooling systems, power tools and fitness equipment
- The largest provider of appliance and lawn & garden parts for the DIY community at 2x–3x the next largest competitor
  - The PartsDirect business has over 130k SKUs on Amazon and eBay marketplaces
  - 88% of customers that purchase on Amazon are new to Sears
- SHS provides a comprehensive suite of service contracts for single appliances or warranties for all appliances in the home
- The largest broad line provider of product repair services to SHC customers, manufacturers, third party administrators, insurance & warranty companies and general consumers
- Franchise services include carpet & upholstery care, air duct cleaning & indoor air quality, garage solutions, maid services and handyman solutions

Revenue by Segment



FY 2019E Revenue: $1.7BN Revenue

Preliminary 2019E Forecasted Financials

($ mm)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY19
Home Services													
Revenue	$127	$160	$131	$133	$166	$135	$132	$162	$125	$126	$155	$129	$1,681
(-) COGS	($32)	($41)	($36)	($37)	($46)	($38)	($38)	($43)	($30)	($32)	($39)	($33)	($444)
Gross Margin	**$94**	**$119**	**$95**	**$96**	**$120**	**$97**	**$95**	**$119**	**$95**	**$94**	**$116**	**$96**	**$1,237**
Margin (%)	*74%*	*74%*	*73%*	*72%*	*72%*	*72%*	*72%*	*73%*	*76%*	*75%*	*75%*	*75%*	*74%*
(-) Operating Expenses	($80)	($97)	($82)	($83)	($102)	($84)	($83)	($100)	($82)	($82)	($98)	($81)	($1,053)
EBITDA	**$14**	**$22**	**$13**	**$14**	**$18**	**$13**	**$12**	**$19**	**$13**	**$12**	**$17**	**$15**	**$183**
Margin (%)	*11%*	*14%*	*10%*	*10%*	*11%*	*10%*	*9%*	*12%*	*11%*	*9%*	*11%*	*12%*	*11%*

Note: Excludes SHIP.

Credit Card Portfolio Overview

Overview of Current Program

20mm Accounts	1.8mm New Accounts	$1,748mm New Account Spend
$4,408mm Internal Spend	$10,389mm External Spend	$13,660mm Avg. Receivables
$132mm Cash Payments to Sears	$221mm Other Program Economics[1]	Sears Share *10.5 % / 17.5 %* 2017 Pre-Tax Income

ShopYourWay/ Private Label

New Account Portfolios

$4,332mm Spend	$1,543mm Spend
$3,508mm Avg. Receivables	$1,768mm Avg. Receivables
$101mm Cash Payments to Sears	
$135mm Other Program Economics[1]	

Thank You/ Non Rewards

Legacy Portfolios

$8,923mm Spend
$8,384mm Avg. Receivables
$31mm Cash Payments to Sears
$85mm Other Program Economics[1]

Terms & Economics

- 5-year extension through November 2025
  - Optional extension of 2 additional years through 11/27, predicated upon Sears meetings performance hurdles
- Sears has the option to repurchase / arrange for 3rd party repurchase of program assets
  - Repurchase option is only for SYW/PL program and eligible at the end of the 2-year extension (11/27)
- 2018 – 2020 Economics: Economic sharing largely in line with the current program agreement
- After 2020 Economics: Economic sharing predicated upon Sears opening new accounts / total program sales for SYW/PLCC and on total program sales for TY/NR
- Marketing support to include permanent support of SYW externalization; non-contractual support on good faith terms
- Continuation of Commercial Lending Program and Private Label program (subject to certain triggers) in full line stores

Strategic Benefits

- Revenue sharing program with the Credit Card Partner (Citi)
- Synergy generated from the integration of the Credit Card portfolio with SYW
- Size and store footprint of New Sears will continue to drive the economics of the Credit Card Portfolio

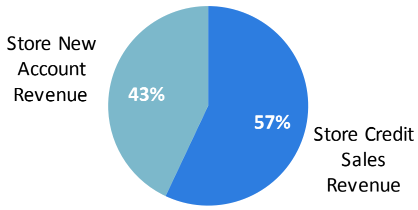
Credit Card Agreement Summary

Business Overview

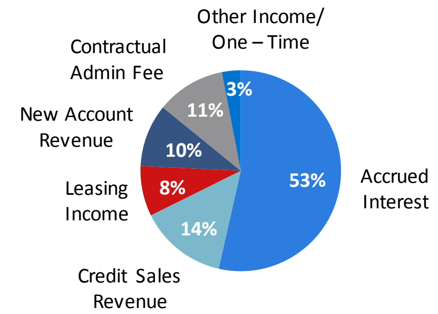
- The SYW Financial Services Business Unit ("SYWFS") provides credit, financial products, and payments through a number of retail formats, as well as online and commercial channels
- Diverse product portfolio includes:
  - Consumer Credit (Private Label and General Purpose Cards)
  - Third Party Payment Options (Visa, MasterCard, American Express, Discover, PIN Debit)
  - Layaway
  - Gift Card
  - Alternative Financial Services (Check Cashing, Bill Pay, etc.)
- Provides financing options to support customers' ability to pay and drive incremental visits and profits to SHC retail locations and increase loyalty and of customers to SHC via the SYW rewards program
- Citi card agreement also saves the Company ~$45MM of interchange fees which are not included as part of the business unit's EBITDA

Revenue by Segment

Store Related Revenue [(1)]



Non-Pass Through Revenue



FY 2019E Revenue: $49MN Revenue

Preliminary 2019E Forecasted Financials

($ mm)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY19
Financial Services													
Revenue	$3	$4	$3	$4	$5	$3	$4	$4	$3	$5	$7	$4	$49
(-) Operating Expenses	($0)	$0	($0)	($0)	($1)	($0)	($1)	($1)	($0)	($1)	($1)	($0)	($5)
EBITDA	**$3**	**$4**	**$3**	**$4**	**$4**	**$3**	**$3**	**$4**	**$3**	**$4**	**$6**	**$4**	**$44**

(1) Revenue by segment based on LTM revenue as reported by the Company.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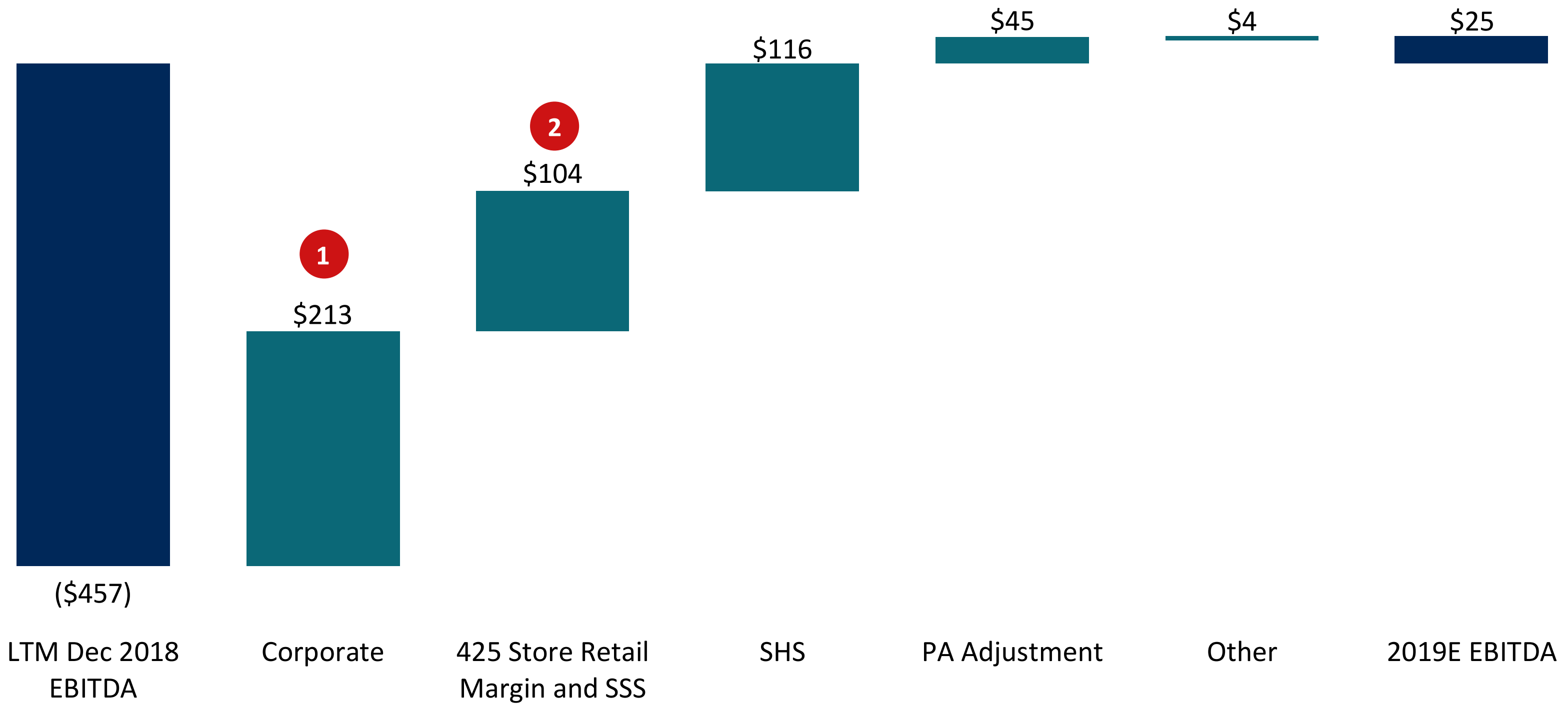
Cost Transformation

Key Initiatives will Drive Margin & EBITDA Growth

Initiative	Description
SG&A:	■ Initiatives to reduce corporate SG&A expense from ~$1.2BN to an annual run-rate of ~$700MM by the end of 2019 ■ Payroll reductions on over 1,000 positions in November – and reductions of over 650 positions in January of 2019 ■ >$250MM in non-payroll reductions focused in marketing, IT, contracts, and professional services across back-office groups ■ Supply chain costs reduced by $73MM through a reduction in non-core distribution centers
Assortment Optimization and In Stock & Replenishment:	■ Reduce the number of SKUs across the company – includes better use of distribution center storage and favorable vendor costs ■ Leverage brands between Kmart and Sears formats – includes rollout of Jaclyn Smith and Adam Levine product lines ■ Develop competitor data scraping capabilities to help identify pricing and trend opportunities early on ■ In-stock: continuously improve in-stocks while minimizing non-productive inventory ■ Replenishment: differentiation between basics and seasonal items and implementation of pack/size optimization
SHS Initiatives:	■ Direct to Consumer ("D2C") – continued technician investment, improved pricing techniques, and optimized marketing efforts ■ Business to Business ("B2B") – improvements to pricing strategy, service quality, and job-completion turnover times ■ PartsDirect website rebuild – enable multi-touch marketing analytics to better understand and improve the customer journey

LTM Dec 2018 EBITDA to 2019E EBITDA Bridge

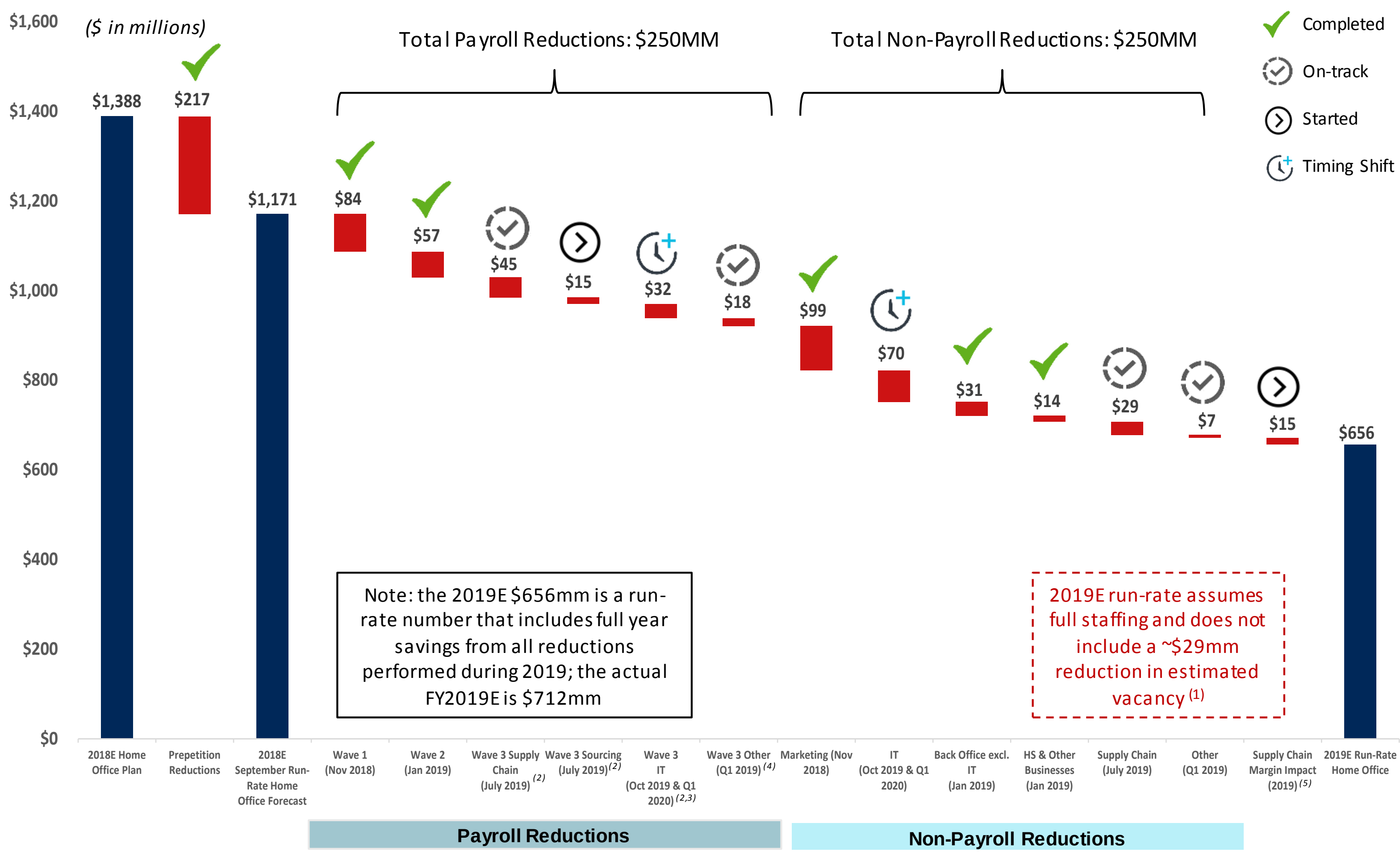
($ in millions)



1

Significant SG&A Run-Rate Impact From Reductions

SG&A Home Office Bridge from FY2018E to Run-Rate FY2019E ($ in millions)



(1) 2018E September run-rate and 2019E run-rate assume full staffing (vacancy not included); September 2018 YTD average vacancy of 7.3% represents a $47.7mm reduction in the 2018E September run-rate and $29.4mm in the 2019E run-rate; the average vacancy rate of October through December 2018 is 14.4%.
(2) IT and Supply Chain migrating systems and facilities to lower cost solutions; Sourcing meeting held to kick off process.
(3) ~$56mm of IT reductions are pro forma for reductions achieved through Q1 2020; uncertainty of a potential liquidation prevented the company from signing multi-year deals without a termination for convenience clause.
(4) Primarily retailing and back office actions that are currently not part of wave 1 and 2.
(5) Incremental margin from Innovel 3rd party revenue.

1

Progress on SG&A Reductions Deliver Savings

- We have made material progress on SG&A right sizing initiative since November 2018, resulting in $141mm reduction in payroll costs
  - ✓ In November 2018, we actioned 1,059 positions for a total savings of $84 million
  - ✓ In January 2019, we actioned additional 686 positions for a total annual savings of $57 million
- We are on track to achieve additional $114mm in savings
  - Non payroll savings of $45mm by end of Jan through expense reductions in Back Office, Home Services and SAC
  - Supply Chain savings of $69mm of $74mm by July 2019 (Working to solve ~$5mm due to timing on IT implementation in the DART facility)
- In addition, we have started another workstream to drive $15mm of savings through Sourcing
- Due to the Chapter 11 process and the uncertainty of a potential liquidation, we believe it was prudent to not commit the Company to multi-year contracts without termination for convenience clause. This delay in signing of contracts pushed out run-rate reductions into Q4 of 2019
  - Consistent with our view in December, we would not replace inventory and financial systems in Q4, therefore pushing to February 2020. Delay from October 2019 to Feb 2020 will result in $5mm overrun/month for a total of ~$25mm. Bulk of reduction expenses are tied to the mainframe. As soon as we exit the mainframe, monthly costs drop by almost 50% – there is no gradual or partial reduction
  - Run-rate of $64mm will still be achieved but not until Q1 of 2020. Reduction delay will be mitigated by an estimated ~$29.4mm in vacancies that were not included in the forecasted $656mm FY19E run-rate

✓ Completed

On-track

Timing Shift

1

IT Overhaul Reduces Overhead by $102MM

~$30MM investment required to achieve a $102MM reduction in annual spend to an annual run-rate of $64MM

Strategy to Achieve Reduction

- Fundamental strategy change – replace legacy applications with SaaS solutions and exit internal data centers
  - Requires less FTEs to operate – less infrastructure heads and less developers ($6MM/month to $2.1MM)
- Deliverables:
  - Implementation of an ERP application – enables the deprecation of mainframes
  - Implementation of CRM and cloud based contact center – improves member experience as the agent will have a full 360 view of the member from a single screen and take out cost such as deprecation of legacy telephone infrastructure
  - Creation of a single product master (hierarchy) – simplifies the business. For example, same SKU used across all format. It also enables us to consolidate technology.
    For example, a single conveyable warehousing system, a single POS
  - Our Non FTE spend drops from $9MM/month to $2.5MM. ~ $5MM (65%) is mainframe + outsourced infrastructure support resources
- The key risks are the (1) company's ability to absorb so much change over a short time period. For example, many business processes will need to change; (2) we will discover something that we didn't foresee. We need to execute with military grade precision, extreme paranoia and issues should be surfaced and resolved in real time. Net, its all about execution

2

Assortment Optimization & In Stock Replenishment

Assortment Optimization and In-Stock & Replenishment Initiative Drives $80mm in Incremental EBITDA in FY2019

Assortment Optimization

Reduce the Number of SKUs Across the Company

- Reduce inventory levels at end of the season
- Optimize the fabric use through creation of a fabric library
- Leverage distribution storage capacity
- Negotiate better Free on Board ("FOB") costs with vendors
  - Apparel and footwear divisions reduced their respective SKU numbers by 31% in 2018 and 33% in 2017
  - 2019 SKU reduction is projected at 20%
  - Reduced FOB by $110MM since end of 2016 by moving receipt from domestic to import and increasing sourcing mix of Bangladesh and India
- Reduced markdown liability by $120MM in 2018

Leverage Brands Between Kmart and Sears Formats

- Expand Jaclyn Smith to Sears stores → started this year
- Expand Adam Levine to Sears → planning to be fully rolled out planned by end of 2018
- Simply Style moved from Sears to Kmart in Q3
- Plan to expand outdoor life to Kmart in early Q1

Develop Competitor Data Scraping Capabilities

- Leverage price opportunity by product category
- Identify color, style gap earlier in the season

In-Stock & Replenishment

Objective

- Continuously improve in-stocks while minimizing non-productive inventory
- 95% in-stock goal by store & product vs. ~92% currently
- 52-week rolling forecast and refined planning algorithms

Initiatives

- **Lost Sales Reduction:** Lost sales improvement realized in both basic and seasonal areas through improved demand forecasting
- **Reduction of Aged Inventory:** Aged inventory including inventory greater than 80 days ("GT80") will be reduced, specifically demand forecasting improvement and incremental single item replenishment exposure
- **Supply Chain Savings:** Single item replenishment are balanced with the costs of picking vs replenishing size packs

Impacts

- Gains realized in basic replenishment and seasonal product
- Basics split between two tracks to accommodate packaging and replenishment differences
- Seasonal product focus will be on flowing product to maximize sales and minimize markdowns
- Pack size optimization enhances size; improvements to assortment mix
- EBITDA is compressed due to high distribution center costs from size pack to SIR (17% today)
- Single apparel distribution center with pick and pack will reduce costs to 5%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Historical Financials

Historical Financials

425 Stores -- LTM Period ended December 2018

($ mm)	Dec 2017	Jan 2017	Feb 2018	Mar 2018	Apr 2018	May 2018	Jun 2018	Jul 2018	Aug 2018	Sep 2018	Oct 2018	Nov 2018	Dec 2018	LTM Dec-18
Retail (1)	756	443	376	480	383	459	563	398	422	486	354	496	600	5,459
Home Services	160	158	129	166	135	142	186	151	144	166	119	121	136	1,753
Financial Services	3	5	3	3	2	2	6	4	4	4	4	4	4	46
Other Businesses (2)	48	44	41	45	34	37	48	45	45	58	35	27	30	490
Adjustment	4	19	(5)	6	6	4	9	4	1	(3)	7	(7)	14	55
Revenue	**970**	**668**	**545**	**699**	**560**	**644**	**812**	**604**	**616**	**711**	**519**	**641**	**784**	**7,803**
Retail	221	111	98	130	119	134	153	116	102	116	93	119	146	1,436
Home Services	118	117	94	120	95	100	134	107	101	118	89	89	101	1,265
Financial Services	3	5	3	3	2	2	6	4	4	4	4	4	4	46
Other Businesses	8	9	6	6	4	5	6	6	5	7	4	2	2	63
Adjustment	1	16	1	(2)	(7)	(5)	(4)	4	(3)	(3)	16	2	5	20
Gross Margin	**350**	**258**	**202**	**257**	**213**	**238**	**296**	**237**	**209**	**242**	**206**	**216**	**257**	**2,830**
% of revenue	36%	39%	37%	37%	38%	37%	36%	39%	34%	34%	40%	34%	33%	*36.3%*
Retail	86	(4)	(1)	15	21	30	30	15	(4)	(7)	(8)	14	20	121
Home Services	15	12	5	14	7	9	21	12	10	13	8	11	4	126
Financial Services	3	5	3	3	2	2	6	4	4	4	4	4	4	45
Other Businesses	0	2	0	(0)	(3)	(0)	(0)	(1)	(1)	1	(4)	(5)	(4)	(16)
Adjustment	14	27	12	12	11	6	9	13	8	6	27	9	16	156
SG&A / Supply Chain & Logistics	(74)	(74)	(74)	(74)	(74)	(74)	(74)	(74)	(74)	(74)	(74)	(74)	(74)	(887)
EBITDA	**44**	**(32)**	**(54)**	**(31)**	**(36)**	**(28)**	**(8)**	**(31)**	**(58)**	**(57)**	**(46)**	**(40)**	**(34)**	**(457)**
% of revenue	*5%*	*-5%*	*-10%*	*-4%*	*-7%*	*-4%*	*-1%*	*-5%*	*-9%*	*-8%*	*-9%*	*-6%*	*-4%*	*(6%)*

(1) Retail relates to the go forward 425 stores, SAC, and SYWR.
(2) Other Businesses relates to Kenmore and Monark.


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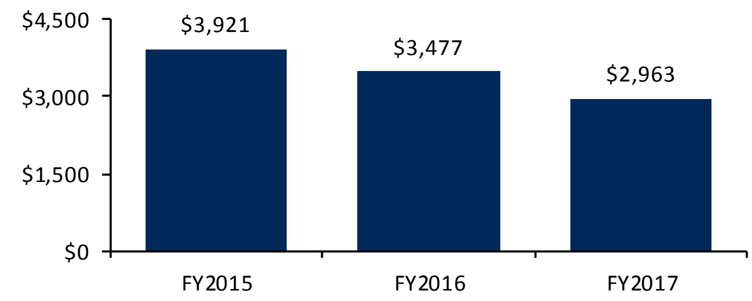
Appendix

Kenmore Business Summary

Business Overview

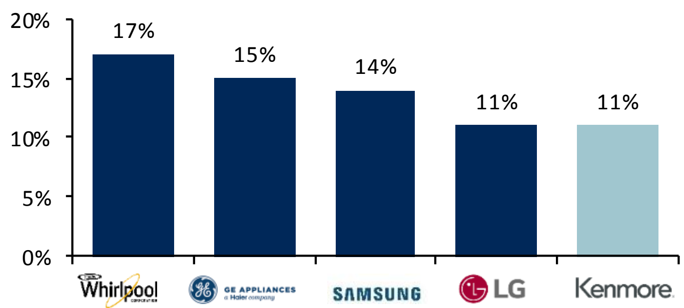
- Kenmore is broken into two business units
  - Major Home Appliance: Markets and sells refrigerators and freezers, laundry washers and dryers, cooking ranges and ovens, and dishwashers (#5 overall ranked leader in major appliances (11% U.S. sales share))
  - Small Appliance: Markets and sells small kitchen appliances, water softeners, electric air cleaners, vaporizers, vacuums, steam cleaners, room air conditioners, outdoor grills and over the counter microwaves
- The majority of its products manufactured via contracts with OEMs
- The majority of its current distribution via Sears-branded retail stores but with rapidly growing third-party distribution (e.g. Amazon)
- No. of Households: ~100MM as of 2017E (cumulative)

Historical Revenue [1]



Leading U.S. Market Share

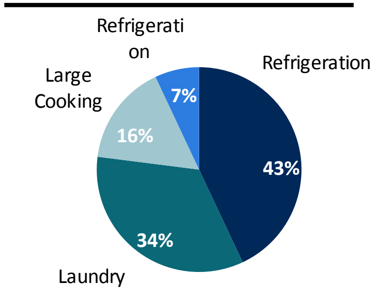
(2017E Sales Share by Brands, %)



Financial Overview

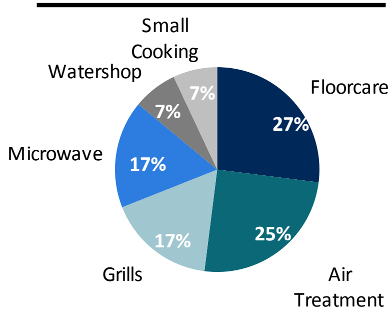
(LTM Dec 2017 Sales)

Major Home Appliance



$2.5BN in Sales

Small Appliance



$348MM in Sales

(1) *Kenmore records revenue based on gross retail sales (included in Hardlines) or its license revenue from Sears sales of Kenmore branded products and third party sales.*

Kenmore Investment Highlights

Kenmore

	Highlights	Externalization and Other Opportunities for Partner
1 Iconic American Brand that is Synonymous with Quality	▪ Earned 7 "Best of 2018", 4 #1 Products, 3 "Top Ten" and 2 "Best Buy" awards from Consumer Reports in 2018	▪ Further expand and externalize an already established, iconic American brand
2 Industry Leadership in Major Appliances	▪ Significant market share despite Sears performance and capital constraints	▪ Recover share recently ceded as result of Sears store closures and comp sales performance
3 Access to a Robust National Distribution Platform	▪ Robust distribution and service platform supported by Sears service network (Innovel and Sears Home Services) ▪ Successful nationwide launch of major appliances on Amazon.com (first in the industry)	▪ Accelerate externalization through other channels outside of Sears (e.g. mass discounters, big box specialty, online)
4 Delivering Turn Key Solution to Retailers	▪ Partnership with Innovel and Sears Home Services enables scalable, national network for "one-stop-shop" and "purchase-everyday use-replacement" coverage ▪ Success on Amazon.com demonstrates "Turn Key" potential for external channel expansion	▪ Drive Amazon and future external retail partnerships with last-mile "through-the door" delivery and expert installation services
5 Significant Opportunity from Connected Home Strategy	▪ Access to key data on customers' usage patterns and preferences across entire nation through smart products ▪ Smart data collected facilitates new targeted offers (for customer retention), after-sales service leads and other revenue opportunities	▪ Gain sales, after-sales leads and other revenue opportunities generated by data from smart products ▪ Expand into other adjacent areas of home automation
6 Track Record of Successful Innovation	▪ A long history of successful product launches with patented intellectual property ▪ Strong product development pipeline with more than 290 new product launches in last two years	▪ Expand R&D efforts and Innovation through strategic OEM partnership
7 Strategic Supply Chain Relationships with Leading Vendors	▪ 3 of 4 major OEM agreements secured through 2020 with 1 key OEM negotiation expected to conclude shortly	▪ 1 of 3 major vendors secured through 2020, with other two key vendor negotiations expected to conclude in Q3 2018

(1) Based on IBISWorld data.

Sears Home Services Investment Highlights

Total Addressable Home Services Spend is ~$270B[1]; SHS Is Positioned to Expand Services to Customers via a Comprehensive Nationwide Network

1 Difficult-to-Replicate National Repair Network	▪ Leader in national appliance repair, utilizing Sears brand and A&E Factory Service (white label) workforce to complete ~5.2M repairs 2017 ▪ Approximately 4,500 trained in-house service technicians complemented by over 650 active independent contractor firms within a 1,099 labor network
2 Highly Attractive, Fragmented Marketplace with Strong Growth Potential	▪ SHS is a leader in a fragmented marketplace ▪ ~$270B[1] total spend with 250M+ service events per annum; SHS directly participates in three-fourths of total available marketplaces ▪ Opportunity to further penetrate households within existing service capabilities and expand coverage by entering new service verticals
3 Comprehensive Suite of Home Services	▪ Complete services suite to attract business at point of sale (Protection Agreements), point of need (Home Warranty), DIY (Parts Direct) and full spectrum of in-home remodeling and maintenance services (Home Improvement and Franchise) ▪ Broadest diversity of offerings across competitive landscape
4 Industry-Leading Selling Capabilities / Conversion	▪ Superior training of customer-facing associates across sales channels ▪ Effective access to customers with robust retail and post purchase / point of need Protection Agreement ("PA") and Home Warranty selling network ▪ Attractive service contract attachment and best-in-class lead generation and customer conversion
5 Attractive Customer Demographics	▪ SHS caters to a diverse base of commercial and residential customers ▪ Provides fulfillment services for industry-leading retailers, OEMs and financial service firms ▪ Core residential customers are primarily affluent, married homeowners
6 Strong Operational Expertise and Scalable Infrastructure	▪ 125-year history of providing highest quality services ▪ Infrastructure investment in place to support future growth of service network ▪ 5-star customer ratings

sears HOME SERVICES

(1) Based on IBISWorld data.

Sears Home Services Capabilities

Sears Home Services ("SHS") provides Industry-Leading Products, Services and Fulfillment Capabilities. SHS provides repair services and service contracts for appliances, electronics, outdoor power equipment, residential heating & cooling systems, power tools and fitness equipment

SHS

Current Services Portfolio	Protect (Service Contracts)	Fix (In-Home Repair)	Do-It-Yourself ("DIY") (Parts Direct)	Maintain (Franchise)	Improve (Home Improvement)
	▪ Protection Agreements ▪ Home Warranty ▪ Replacement Plans	▪ In-Home Service & Repair	▪ Parts Sales	▪ Carpet & Upholstery Cleaning ▪ Duct Cleaning ▪ Floor & Tile Cleaning ▪ Handyman & Maid	▪ Roofing, Siding, Windows ▪ Bath, Kitchen ▪ HVAC Service & Install ▪ Flooring & Garage Doors

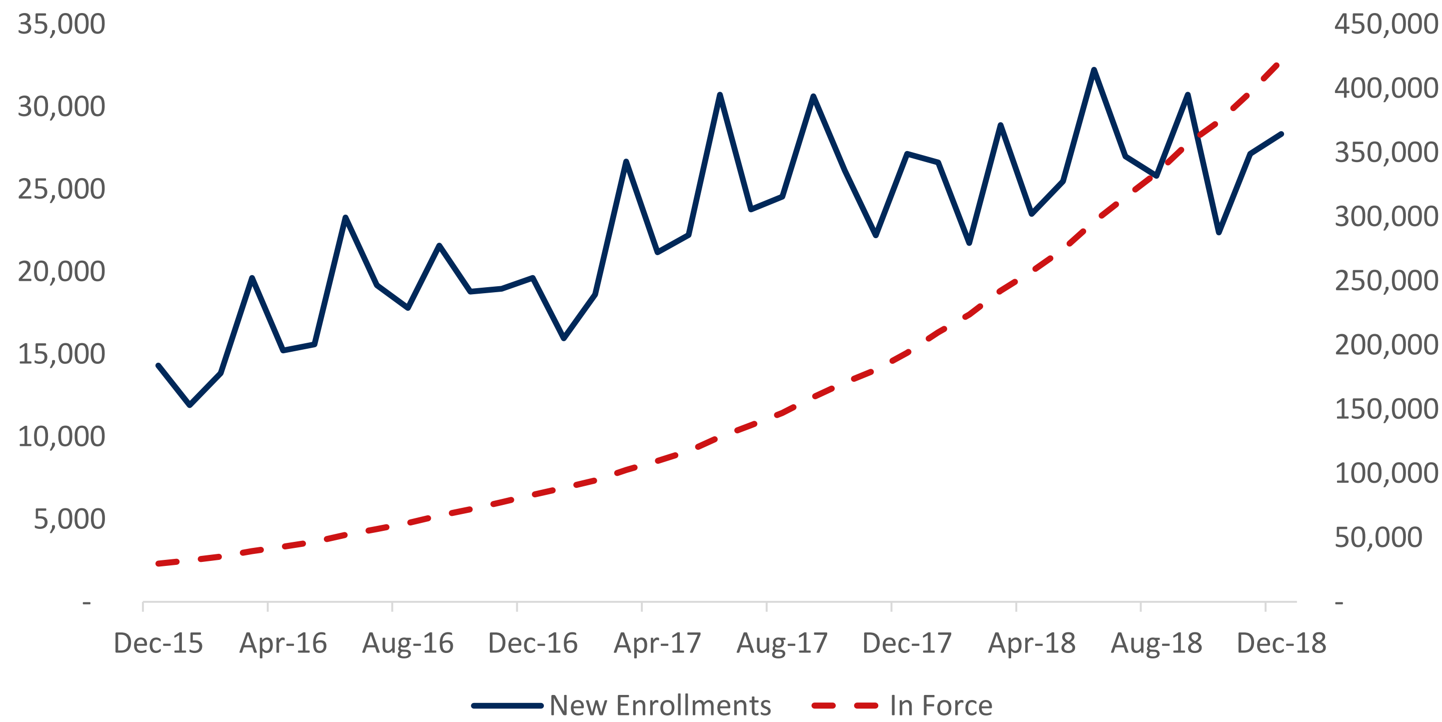
How SHS Adds Network Value

- Continued customer relationship
- Provides opportunity for after market value
- Opportunity for technicians to make incremental sales

Utilizing an end-to-end customer solution across a suite of services & product offerings is central to the broader Sears strategy

Source: Company Management.

SHS: Growth in Home Warranty Sales



Home Warranty Sales have continued to grow over the last 36 months, with over 400,000 contracts now "in-force"

Innovel Business Summary

Innovel Overview

- World class third-party logistics provider with unique end-to-end nationwide capability to execute both the middle mile and final mile for Big and Bulky items
- Provide a variety of services including 2-day and next day delivery, complex installation, industry leading online fulfillment capability, U.S.-based customer service, commercial sales B2B support, transportation solutions and warehousing
- Substantial opportunity for profitable growth by continuing to centralize externalizing business

Key Figures

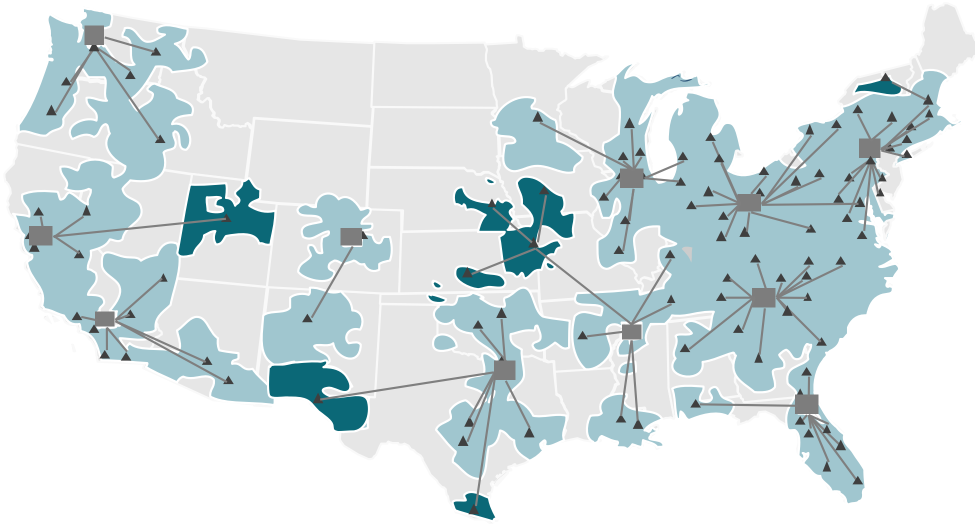
- ~2,200 employees located across the country
- 11 middle mile distribution centers placed across the country
  - Collectively occupy ~9.3mm square feet and over 500 acres
- 3 offshore retail distribution centers
- 108 final mile cross-dock centers, capable of home delivery
  - Collectively occupy ~9.3mm square feet

Next Day and 2 Day Capabilities

24-48-hour delivery capability for 85% of households and 93% of orders

24-Hour Turnaround

48-Hour Turnaround



Innovel Investment Highlights

Innovel has ample room for organic, profitable growth via externalization and footprint optimization

innovel
Innovative logistics. Smart solutions.

1 Difficult-to-Replicate National Distribution Network	▪ World-class distribution network, utilizing 11 up-to-date distribution facilities and 108 MDO facilities, collectively occupying ~9.3mm square feet and over 500 acres ▪ Approximately 2,200 employees and strong relationships with third party carriers, enabling industry-leading delivery times ▪ Strategically located footprint catered to middle mile and last mile fulfillment for store network
2 Ability to Strengthen Member Relationships	▪ Superior instillation capabilities offers opportunity to develop stronger customer relationships and brand equity ▪ Can further leverage in-home instillation assignments to cross-sell additional Sears related products (e.g. protection agreements, Shop Your Way Credit Cards and Home Services offerings)
3 Attainable 3rd Party Revenue Opportunity	▪ Revenue externalization process has launched with success, quickly entering into new contracts with blue-chip clients ▪ Substantial capacity, especially with a right-sized store footprint, will allow for quick integration of 3rd party customers ▪ Highly-trained network of instillation and delivery professionals offers opportunity to expand into adjacent instillation services for 3rd party clients ▪ By 2021, total volume is expected to increase by ~80% from 2.9mm in 2018 to 5.3mm with increasing diversification away from Sears; decreased Sears exposure by ~55 percentage points from 2018 to 2021
4 Achievable Opportunities To Cut Substantial Costs	▪ Current capacity, given reduced Sears store footprint, provides opportunity to ramp up 3rd party business with virtually no additional infrastructure investment ▪ High degree of operating leverage is conducive to margin enhancing growth ▪ Management has identified several initiatives, such as IT investment, that will improve labor productivity and enhance long-term cost structure
5 Strong Operational Expertise and Scalable Infrastructure	▪ Strong, experienced management team with industry-leading knowledge and experience in logistics and supply-chain ▪ Management has demonstrated an ability to invest in new MDO's in key geographies in a capital efficient manner

Shop Your Way

The ShopYourWay Framework For Success

SYW is built around a triumvirate framework focused on (i) Essentials (ii) Gift Giving and Celebration, and (iii) Considered Purchases

Focus Areas

Essentials

- Prepared foods
- Wine / Beer
- Coffee / Tea
- Snacks
- Household Consumables

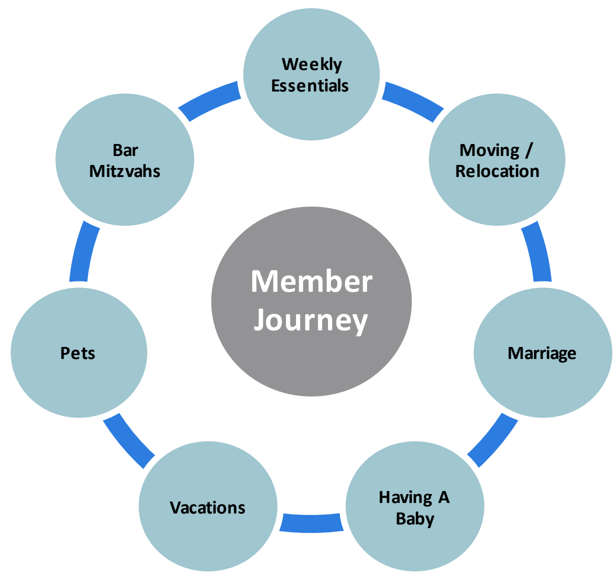
Gift Giving and Celebration

- Birthdays
- Anniversaries
- Graduations
- Weddings
- New Baby

Considered Purchases

- Refrigerators
- Washing Machines
- Dishwashers
- Fitness Equipment

Member Journey



Member Experience

- Stores
- Sales Associates
- Call Centers
- Personal Shoppers
- Websites
- Home Services Technicians
- Email
- Delivery & Installation Services
- Credit Card / Payments
- Points Awards & Redemptions

Machine learning capabilities embedded in the SYW architecture will allow the Company to deliver an unrivaled consumer experience

Shop Your Way

SYW Targeted Offer Capabilities

Target Member Offers

- Through the use of Targeted Offers through various members-facing channels such as email, text, and app experiences, SYW has the ability to cater individual member level offers at a broad level such as format (Sears & Kmart) or the ability to target directly to an individual item level (a specific model of refrigerator)
- This allows for the ability to drive a behavior/purchase at a member level and not allow for the remaining population of shoppers to be given a discount/points that does not drive an incremental trip or spend thus creating a higher ROI

Targeted Offer

- Targeted based on propensity and members value able to scale up and down to control investment

vs.

Mass Offer

- Offer available to all regardless of intent - higher incremental need to breakeven

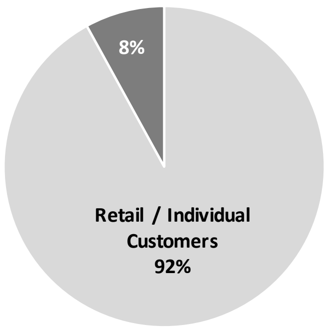
Sears Auto Center Business Summary

Business Highlights

- One of the largest, scaled providers of automotive aftermarket services, with a nationwide footprint of 231 locations across 38 states and Puerto Rico
  - Stores are ~17,700 square feet on average with ~17 service bays
- Service offerings include tire replacement, rapid wheel alignment, precision brake service, battery replacement, comprehensive oil / fluid change and diagnostic & mechanical services
- Attractive, diverse customer base of individual consumers and commercial / corporate accounts
- Employs one of the most tenured labor networks in the industry, with 2,163 trained and accredited technicians across store base
- Executing multi-faceted strategy across operations, merchandise, marketing, real estate, customer base and sourcing to grow revenue and improve profitability
- FY2017A Sales (All Locations): $333mm
- FY2017A 4-Wall EBITDAR (All Locations): $26mm

Customer Segmentation

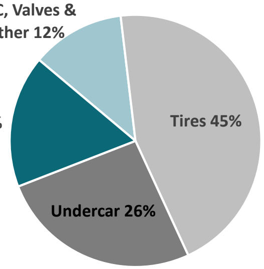
Commercial Customers → Key Customers

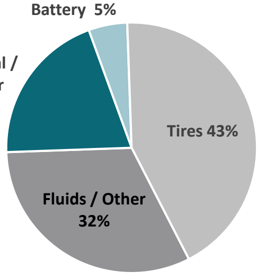


AVIS
enterprise
sears HOME SERVICES
UBER
DONLEN
A Hertz Company
element

FY2017A Revenue Breakdown

Merchandise	Service





71% of Total Sales

29% of Total Sales

Key Brands Distributed

Tires	Battery & Related
DieHard	DieHard
MICHELIN	**OTC, Valves & Other**
	Valvoline
BFGoodrich	**Undercar Parts**
	AutoZone
Hankook	Advance Auto Parts

Sears Auto Center Investment Highlights

sears AUTO CENTER

1 Unique Industry Player With National Footprint

- Large, national player with strong brand equity competing against mostly regional and local businesses
- Beneficiary of traffic to Sears FLS, giving the segment enhanced customer visibility
- Ability to leverage Sears' national supply chain contributes to enhanced lead times and customer service
- Base of 2,163 trained and accredited technicians provides unique opportunity to take advantage of excess capacity

2 Diverse Product Offering

- Mix of service and merchandise product offering allows Sears Auto Center to be a one-stop-shop for automotive needs, leading to recurring revenue and high customer satisfaction
- Proven ability to cross-sell merchandise to customers seeking mechanical service (and vice-versa)
- Strong relationships with blue-chip vendors provides for attractive merchandise offering

3 Leasing Opportunity

- Only national retailer that offers leasing as a payment option for automotive products and services
- Ability to attract sub-prime customers with limited financing options, while maintaining no balance sheet risk due to strong financing relationships
- High margin opportunity with the ability to lease out under-utilized bays for DIY'ers
- Opportunity to create lease-based standalone Auto Centers in key markets

4 Ride-Sharing Platform Exposure

- Recently entered into partnerships with Uber and Lyft
  - Partnership is predicated on the creation of service stations for both ride-sharing platforms within Sears Auto Centers, where drivers can have their cars certified and purchase regular maintenance
- 5 Uber hub locations, generating 200-300 certifications per week each, as well as 10 Lyft locations, with expansion plans

5 External Channel Growth Opportunity

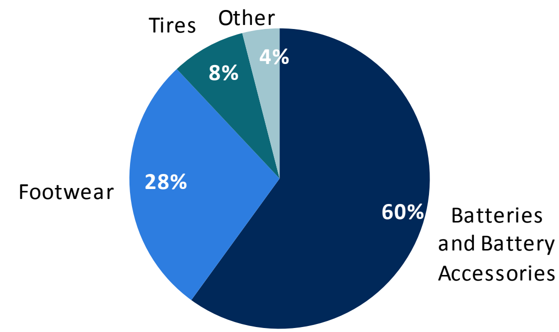
- Opportunity to leverage strong team of experienced associates to take advantage of tire instillation market
  - Online tire sales have grown over past few years, with vendors not having the appropriate network to complete instillation
- Recently rolled out partnership with Amazon, selling DieHard tires through the platform and installing at Sears Auto Center
  - Opportunity to expand through additional online mediums and install non-DieHard tires at store locations

DieHard Business Summary

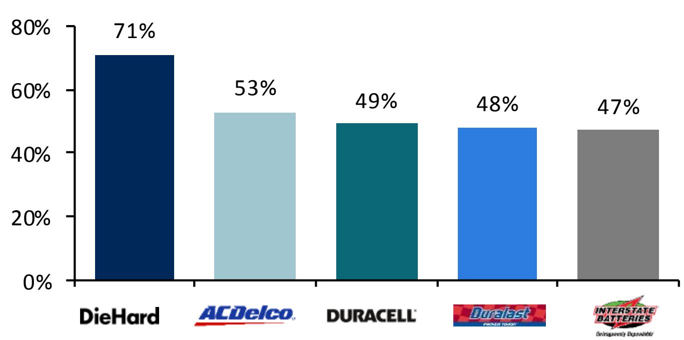
Business Overview

- Leading provider of power solutions since 1967
- Current U.S. sales share of 4% for vehicle batteries
- Products sold primarily through Sears channels, with select external retail distribution
- All products are manufactured by leading contract manufacturers, required to comply with DieHard high quality standards
- Well-balanced portfolio of vehicle batteries, with well-developed strategies for new product introductions in adjacent and peripheral industries
  - Adjacent (Power): Connected Lighting Solutions, Solar Power Solutions
  - Peripheral (Lifestyle): Rugged Wear, Extreme Wear

Revenue by Segment



Brand Awareness



Select Products

Vehicle Batteries

- Offered for Auto, Marine & RV, PowerSport and Lawn & Tractor

Vehicle Battery Back Up

- Various applications range from jumping a car battery to powering laptop within a car

Portable Power and Lights

- Categories include tool batteries, alkaline batteries, flashlights and LED lights

Work Boots

- High-performance boots, offered in both slip-ons and lace-ups

Tires

- Mid-Tier Passenger car tires manufactured by Kumho sold in SAC

Consumer Electronics

- Categories include Powerbanks, Chargers, Charging station, Phone cases and headsets

Monark Business Summary

Business Unit Overview

- Monark Premium Appliance Company and its affiliates form a nationwide distributor of premium home appliances that serve architects, builders, designers, developers and homeowners
- Monark represents a partnership between three leading distributors: Florida Builder Appliances, Westar Kitchen & Bath and Standards of Excellence
- Showrooms provide customers with premium cooking, cooling and cleaning appliances
- Monark operates within the larger Hardlines business Established June, 2015

Store Locations

20 showrooms across Arizona, California, Florida and Nevada

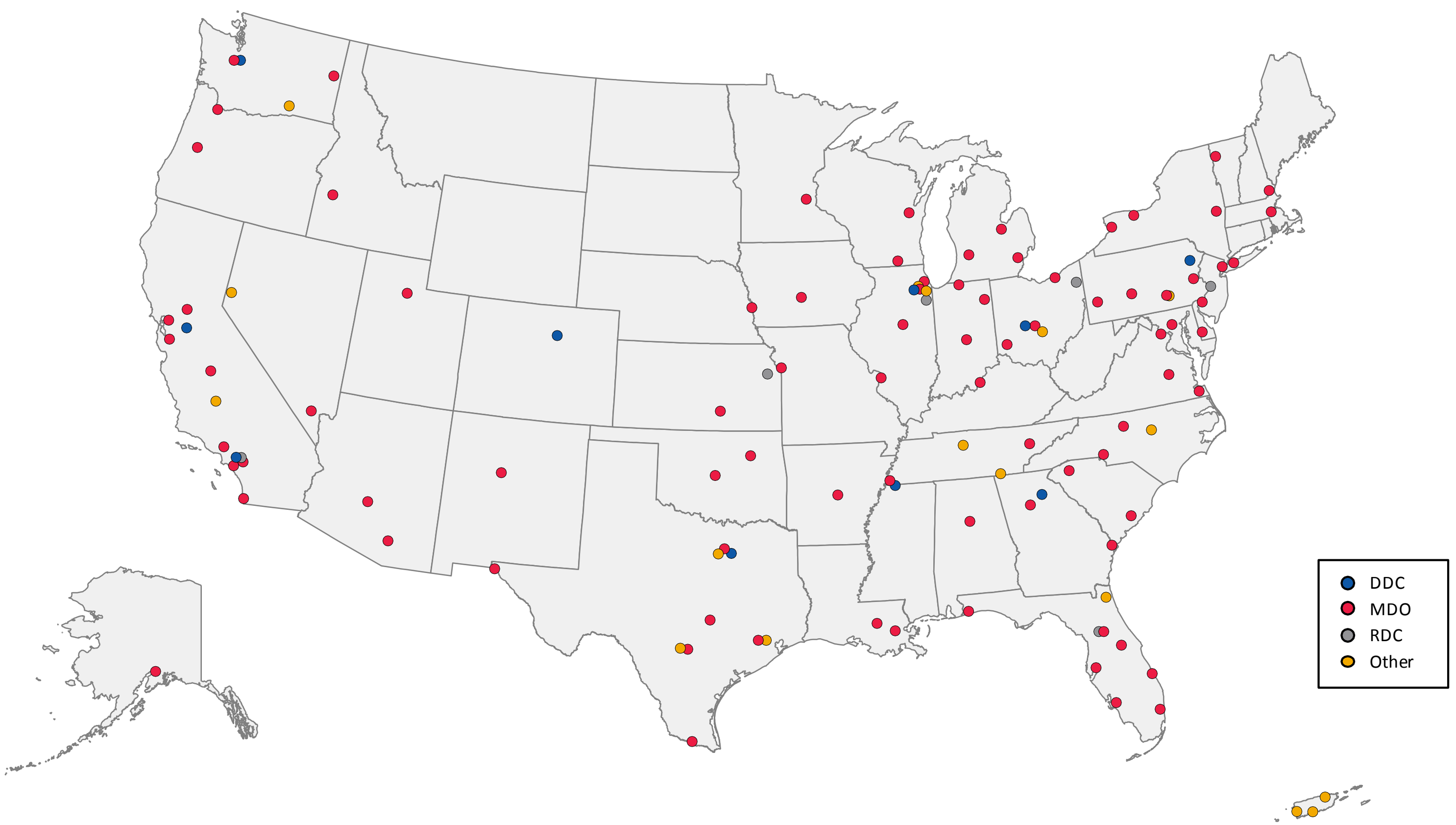
Select Brands

Alfresco
ASKO Inspired by Scandinavia
best
dacor
DCS by Fisher & Paykel
Electrolux
SAMSUNG
Scotsman
Speed Queen
SUB-ZERO
SUMMIT APPLIANCE
Thermador
U-LINE
VentAHood
VIKING PROFESSIONAL
GE
LA CORNUE
LG

Real Estate Breakdown

($ in 000's)	Property Count	Total Square Feet	Appraised Lit Value	Appraised Dark Value
Owned				
Sears	78	12,626,759	$781,780	$524,625
Kmart	12	1,298,102	135,452	98,400
Total Owned	**90**	**13,924,861**	**$917,232**	**$623,025**
Ground Lease				
Sears	51	8,450,184	$562,850	$218,400
Kmart	14	2,071,316	39,790	14,000
Total Ground Lease	**65**	**10,521,500**	**$602,640**	**$232,400**
Leased				
Sears	94	12,766,836	$310,032	N/A
Kmart	176	16,315,242	155,781	N/A
Total Leased	**270**	**29,082,078**	**$465,813**	**N/A**
All Properties	**425**	**53,528,439**	**$1,985,685**	**$855,425**

Sears Supply Chain Breakdown



Sears has 120 supply chain assets (DDCs, MDOs, and RDCs) strategically located in all major areas of operations

Small Store Footprint

Investment Highlights

New Sears intends to increase investment in the smaller footprint strategy as it reduces its large box footprint

Store Overview

- The Company has recently been testing the concept of opening smaller footprint digital stores, marketed as “Sears Appliances” to leverage and highlight their most popular and profitable categories
  - Small footprint stores range from 7,000 – 20,000 sq. feet, while typical Sears locations average ~138,000 sq. feet
    - Allows the company to substantially reduce rent expense and personnel costs
    - On-demand inventory helps the Company improve its cash conversion at the retail level
  - Locations have successfully opened in Texas, Colorado, Hawaii and Pennsylvania
  - Most orders are placed on demand and can be shipped to customers or store locations
  - Stores specialize in selling appliances, but also offer the ability for consumers to order all Sears products in-store
- Locations offer interactive displays and trained experts to assist customers with their appliance & non-appliance needs

Small Store Footprint

Expansion of Small Footprint

Business Overview

- Store size: 7,000 to 20,000 sq/ft (leased)
- Local personalized shopping experience benefiting the community through the Sears and ShopYourWay ecosystem
- Products & services tailored to the community:
  - Home Appliances
  - Home Services (Repair, Parts, Home Improvement)
  - Connected Solutions (IoT products)
  - Financing options for every member
    - ShopYourWay 5-3-2-1 card
    - Leasing
    - Layaway
  - Shop Your Way Products and Services
  - Mattresses (when over 10k ft^2)
  - Other community relevant products when space permits and based on local demographics and needs (seasonal product, tools, fitness, etc.)
- Highly trained consultative experts that focus on helping customers with
- large purchases and home solutions
- In-home support and consultation
- Unlimited service opportunities and solutions; Service Live

Financial Summary (2018E)

(4 Operating Stores), Proof of concept

($000s)	2018F
Sales	$23,882
Gross Margin	7,435
GM%	*31%*
Operating Expenses	5,557
EBITDA	1,878
EBITDA %	*8%*
EBITDAR	3,065
EBITDAR %	*13%*
IRR	36%
Payback	**3.75 yrs**

Description	Store Economics
Gross SF	7,000 to 20,000
Selling SF	6,750 to 18,000
Annualized Sales	$4m - $8m
Sales per/GSF	$400 - $500
EBITDA $	$0.4m - $1.0m
EBITDA %	~8%
EBITDAR $	$0.6m - $1.4m
EBITDAR %	~13%
Capital Investment	$1.4m - $1.8m
IRR	30%-60%
Payback	3 - 4 yrs


sears
kmart.

Exhibit B

Project Transform – *Liquidity Analysis*

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Financial Overview

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Financial Forecast – Key Assumptions

BUSINESS SEGMENT	KEY ASSUMPTIONS
Brick and Mortar	▪ Assumes 223 Sears stores and 202 Kmart stores ▪ Assumes same store sales growth of -1% in 2019F, 2% in 2020F and 3% in 2021F ▪ Assumes 125bps margin improvement in 2019F and assumes 200bps margin improvement in 2020F and 2021F, respectively
Kenmore 3rd Party	▪ Amazon revenue expected to increase from $80M in 2018 to $300M by 2021F, conservatively assumes ~50% less incremental Amazon revenue than Company's projections ▪ Assumes one additional 3rd party account coming online in 2020F with expected sales of $500mm and $1,000mm in 2020F and 2021F respectively — Assumes 4% licensing fee on all associated 3rd party sales
Sears Home Services	▪ Assumes 2018B to 2021E will be driven by a 30% increase in B2B volume, D2C growth, and improvements in the PartsDirect website and IHR mobile technology over the next two years, offset by the cumulative effect of 3rd party underwriting transaction — Projections exclude SHIP business segment which will either be sold to Service.com with the proceeds distributed to NewCo or, if the contemplated sale to Service.com fails to close, the SHIP business will be acquired by NewCo as part of NewCo acquisition transaction
Innovel	▪ Assumes increased 3rd party revenue, growing to $300mm by 2021F, conservatively $200mm less than Company's projections
Sears Auto Center	▪ Assumes same store sales growth of -1% in 2019F, 2% in 2020F and 3% in 2021F ▪ Assumes 125bps margin improvement in 2019F and assumes 200bps margin improvement in 2020F and 2021F, respectively
E-Commerce	▪ Assumes 5% year over year growth throughout the projection period — Traffic, AOV and conversion ratios are held constant based on historicals
ShopYourWay	▪ Assumes historical % of total revenue through the projection period
Monark	▪ Assumes $1mm, $2mm and $3mm of EBITDA 2019F, 2020F and 2021F respectively

Financial Overview

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Financial Forecast – Key Assumptions (Cont'd)

WORKING CAPITAL ASSUMPTIONS	
Accounts Payables (days)	▪ 10 days in February , 12.5 days in March, 15 days in April , 17.5 days in May, 20 days in June and 32 days in July, then remaining constant for the rest of 2019F ▪ 37 days in 2020F and 42 days in 2021F — Pre-petition DPO was 22 days — Industry average ~50 days ▪ Assumes starting A/P balance of $166mm of assumed AP payable in November
Accounts Receivables (days)	▪ Adjusted for seasonality based off of historical accounts receivable as a percentage of inventory
Inventory	▪ Assumes starting inventory of $1,553mm ▪ Adjusted for seasonality based off of historicals
OVERHEAD ASSUMPTIONS	
2019F SG&A Forecast (including supply chain costs)	▪ $545mm, representing ~6% of total 2019F sales — Pre-petition SG&A of $1.2bn, representing ~10% of total 2018B sales
Vendor Discount & Other Adjustments	▪ Assumes ~2.8% of COGS
CAPITAL STRUCTURE ASSUMPTIONS	
ABL Balance	▪ $655mm Revolver[1]; $250mm Term Loan at close
ABL Interest Rate	▪ L + 375 Revolver; L + 800 Term Loan
NewCo L/C Facility	▪ L + 1100; Matures 1/22
Real Estate Debt	▪ Assumes $175mm of new Real Estate debt with an interest rate of L + 850 cash and L + 1050 PIK; 3 year term
Exit Financing	▪ Assumes $350mm roll over of Junior DIP into Exit Financing at L + 1000 cash and L + 1300 PIK
OTHER ASSUMPTIONS	
Dove & Sparrow Real Estate	▪ Assumes $200mm of annual proceeds from dispositions from 2019 to 2021, with 80% of proceeds used to pay down any outstanding real estate debt, and the remaining 20% used to pay down the ABL facility (first 120 days 100% of proceeds to ABL)
CapEx	▪ Assumes approximately ~$50mm of store growth CapEx per year
ABL L/C	▪ The company is targeting $35mm of L/C reduction under the ABL in February 2019; for conservatism, the model assumes $17.5mm of L/C reduction in March 2019
2022 – 2023	▪ Assumes top line growth of 4% annually and a 25 bps EBITDA margin improvement in 2022 and 2023 ▪ All working capital assumptions are kept constant from 2021, other than days payable which are assumed to be 3 days higher

1. Represents amount pre-paydown using real estate debt

Financial Overview

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Consolidated Projections

($ in millions)

	2015A	2016A	2017A	2018B	2019F	2020F	2021F	2022F	2023F
Revenue	**$24,533**	**$21,543**	**$16,248**	**$11,648**	**$7,939**	**$8,075**	**$8,502**	**$8,842**	**$9,196**
(-) COGS	(16,272)	(14,312)	(10,525)	(7,427)	(4,882)	(4,984)	(5,155)	(5,361)	(5,576)
Gross Margin	**$8,262**	**$7,230**	**$5,723**	**$4,220**	**$3,057**	**$3,091**	**$3,347**	**$3,481**	**$3,620**
Margin (%)	*34%*	*34%*	*35%*	*36%*	*39%*	*38%*	*39%*	*39%*	*39%*
Margin Imporvement (%)								–	–
(-) Operating Expenses	(7,034)	(6,263)	(4,902)	(3,769)	(2,487)	(2,422)	(2,443)	(2,519)	(2,597)
(-) Supply Chain & Logistics	(483)	(389)	(326)	(291)	(228)	(210)	(207)	(215)	(224)
(-) Home Office SG&A[1]	(1,613)	(1,412)	(1,098)	(823)	(401)	(336)	(343)	(356)	(371)
(+) PA Adjustment[2]	33	36	46	37	84	50	23	24	25
EBITDA	**($836)**	**($798)**	**($557)**	**($625)**	**$25**	**$171**	**$378**	**$415**	**$454**
Margin (%)	*(3%)*	*(4%)*	*(3%)*	*(5%)*	*0%*	*2%*	*4%*	*5%*	*5%*
Memo: Store Count	1,646	1,405	979	505	425	425	425	425	425

1. Home Office SG&A expense includes an additional new hire expense of $10mm in 2019E and $15mm in years 2020E to 2023E; previously categorized Sears Home Services SG&A expenses have been re-allocated to Sears Home Services OpEx line item
2. PA Adjustment related to SHS commission/expense in connection with protection warranty sales

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2015A – 2021F Performance By Business Unit

($ in millions)

	2015A	2016A	2017A	2018E	2019E	2020E	2021E
Memo: Store Count	**1,646**	**1,405**	**979**	**505**	**425**	**425**	**425**
Retail (4-Wall + Online + SYW)							
Revenue	$21,381	$18,492	$13,531	$8,991	$5,768	$5,909	$6,166
Gross Margin	6,541	5,476	4,119	2,572	$1,697	$1,829	$2,046
EBITDA	$959	$628	$531	$242	$338	$444	$634
Home Services							
Revenue	$2,139	$2,159	$1,953	$1,762	$1,681	$1,573	$1,593
Gross Margin	$1,582	$1,592	$1,433	1,276	$1,237	$1,107	$1,099
EBITDA	$195	$266	$222	$123	$183	$148	$148
Financial Services							
Revenue	$66	$68	$74	$103	$49	$42	$44
EBITDA	$55	$59	$68	$99	$44	$37	$39
Other Businesses							
Kenmore / Craftsman / DieHard EBITDA [1]	$11	$11	($2)	($10)	$3	$37	$79
Monark EBITDA	$7	$3	$3	($3)	$1	$2	$3
Overhead and Adjustments							
Supply Chain and Innovel	($483)	($389)	($326)	($291)	($228)	($210)	($207)
Home Office / Corporate SG&A	(1,580)	(1,376)	(1,052)	(786)	($317)	($287)	($320)
Total SHC EBITDA	**($836)**	**($798)**	**($557)**	**($625)**	**$25**	**$171**	**$378**
Retail EBITDA Detail							
425 Store Go-Forward 4-Wall EBITDA	$338	$162	$135	$35	$117	$214	$390
All Other 4-Wall EBITDA+ Online	81	(144)	(84)	(163)	(6)	(5)	(3)
Vendor Discounts & Other Adjustments	239	304	238	183	92	91	91
Sears Auto Center EBITDA	152	117	83	45	42	48	56
ShopYourWay EBITDA	149	190	160	142	94	96	101
Total Retail EBITDA	**$959**	**$628**	**$531**	**$242**	**$338**	**$444**	**$634**

1. SHC level EBITDA adjustment related to the protection agreement business
2. 2015 – 2018E numbers are based off of 505 stores

Financial Overview

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2019F - Key Operating Units & 2020F - 2021F Forecast

($ in millions)

	2019E Monthly Budget												2019E	2020E	2021E
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Total	Total	Total
Retail (4-Wall + Online + SYW)															
B&M Same Store Sales (% Change)	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*(1.0%)*	*2.0%*	*3.0%*
Revenue	$382	$491	$390	$465	$573	$405	$429	$495	$362	$559	$765	$452	$5,768	$5,909	$6,166
Gross Margin	108	144	129	147	169	127	114	132	107	163	235	121	1,697	1,829	2,046
EBITDA	5	26	30	43	47	23	9	9	3	44	97	0	338	444	634
Home Services															
Revenue	$127	$160	$131	$133	$166	$135	$132	$162	$125	$126	$155	$129	$1,681	$1,573	$1,593
Gross Margin	94	119	95	96	120	97	95	119	95	94	116	96	1,237	1,107	1,099
EBITDA	14	22	13	14	18	13	12	19	13	12	17	15	183	148	148
Financial Services															
Revenue	$3	$4	$3	$4	$5	$3	$4	$4	$3	$5	$7	$4	$49	$42	$44
EBITDA	3	4	3	4	4	3	3	4	3	4	6	4	44	37	39
Other Businesses															
Kenmore / Craftsman / DieHard EBITDA	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$3	$37	$79
Monark EBITDA	0	0	0	0	0	0	0	0	0	0	0	0	1	2	3
Overhead and Adjustments															
Supply Chain and Innovel	($23)	($18)	($22)	($21)	($16)	($19)	($20)	($16)	($22)	($22)	($12)	($17)	($228)	($210)	($207)
Home Office / Corporate SG&A	(32)	(30)	(31)	(32)	(30)	(27)	(21)	(21)	(22)	(23)	(23)	(24)	(317)	(287)	(320)
Total SHC EBITDA	**($33)**	**$4**	**($7)**	**$7**	**$24**	**($6)**	**($17)**	**($3)**	**($25)**	**$15**	**$87**	**($22)**	**$25**	**$171**	**$378**
Retail EBITDA Detail															
Brick and Mortar 4-Wall EBITDA	($9)	$4	$14	$23	$24	$7	($9)	($10)	($6)	$24	$70	($16)	$117	$214	$390
Vendor Discounts & Other Adjustments	6	8	6	7	9	6	7	8	6	9	13	8	92	91	91
Sears Auto Center EBITDA	3	4	3	3	4	3	4	3	4	3	5	4	42	48	56
Online EBITDA	(0)	(1)	2	4	1	1	0	(0)	(6)	1	(5)	(3)	(6)	(5)	(3)
ShopYourWay EBITDA	5	11	6	7	10	6	7	9	5	7	15	7	94	96	101
Total Retail EBITDA	**$5**	**$26**	**$30**	**$43**	**$47**	**$23**	**$9**	**$9**	**$3**	**$44**	**$97**	**$0**	**$338**	**$444**	**$634**
Ending Stores															
Sears	231	231	231	231	231	231	231	231	231	231	231	231	231	231	231
Kmart	191	188	185	182	179	176	173	170	167	164	161	158	158	158	158
Total Ending Stores	**422**	**419**	**416**	**413**	**410**	**407**	**404**	**401**	**398**	**395**	**392**	**389**	**389**	**389**	**389**

1. Call center support allocated at corporate level

Financial Overview

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2019 Monthly Budget & 2020F-2023F Annual Forecast

($ in millions)

Debt Overview

Tranche	$	Rate
ABL Facility Drawn	$535	
Outstanding L/C	118	
ABL Facility	$653	L+375
Citi L/C Facility[1]	271	L+1100
Real Estate Debt[2]	175	L+850
FILO Term Loan	250	L+800
Exit Financing[3]	350	L+1300

Key ABL Assumptions

ABL Draw Calculation	$
Assumed 1L Outstanding 2/8	$850
Plus: Transaction Fees	50
Remaining ABL Balance	$900
Less: Term Loan	(250)
Plus: OID	5
Draw Needed[4]	$653

ABL Terms	Pre-Petition	NewCo
RCF Facility Size	$1,500	$1,050
FILO Term Loan Facility Size	N/A	250
Rate on Undrawn	63 bps	50 bps
Borrowing Base Reserves	62	50
L/C Under ABL Facility	124	118

ABL Borrowing Base Terms	Pre-Petition	NewCo
NOLV on Inventory	Varies	Varies
ABL Inventory Ineligibles	6.0%	6.0%
Advance Rate on Inventory	80.0%	90.0%
Advance Rate on CC AR	85.0%	90.0%
NOLV on Scripts	N/A	90.0%
Advance Rate on Scripts	N/A	85.0%
Advance Rate on Pharmacy AR	85.0%	85.0%

Real Estate Debt

Real Estate Debt Overview	
Real Estate Debt	$175
Appraised Value	1,652.1
Loan to Value %	*10.6%*

Budget Overview

($ in Millions)	Closing	Feb-2019	Mar-2019	Apr-2019	May-2019	Jun-2019	Jul-2019	Aug-2019	Sep-2019	Oct-2019	Nov-2019	Dec-2019	Jan-2020	2019F	2020F	2021F	2022F	2023F
Consolidated EBITDA		**($33)**	**$4**	**($7)**	**$7**	**$24**	**($6)**	**($17)**	**($3)**	**($25)**	**$15**	**$87**	**($22)**	**$25**	**$171**	**$378**	**$415**	**$454**
Less: Interest Expense		(14)	(14)	(14)	(15)	(13)	(11)	(12)	(12)	(13)	(13)	(12)	(11)	(153)	(129)	(112)	(79)	(71)
Less: Capex[5]		(10)	(11)	(11)	(10)	(9)	(9)	(9)	(9)	(9)	(9)	(10)	(11)	(117)	(78)	(80)	(82)	(85)
Plus: PIK Interest		4	5	5	5	4	3	4	4	4	4	3	3	47	31	29	33	34
Plus: Real Estate Sale Proceeds[6]		17	17	17	17	17	17	17	17	17	17	17	17	200	200	200	-	-
Plus: Asset Sale Proceeds[7]		-	-	-	-	100	-	-	-	-	-	50	-	150	130	-	-	-
Less: Mandatory Debt Paydown[8]		-	-	-	-	(113)	(13)	(13)	(13)	(13)	(13)	(63)	(13)	(257)	(207)	(271)	-	(269)
Plus: Draw of Real Estate Debt or S/T Debt		-	-	-	33	-	-	-	-	-	-	-	-	33	-	-	-	-
(+/-) Change in Inventory[9]		(157)	116	(146)	1	275	88	(107)	(171)	131	(176)	134	148	135	-	-	(48)	(53)
(+/-) Change A/R		20	40	33	28	44	12	(10)	10	(16)	(72)	80	15	185	-	-	(1)	(1)
(+/-) Change A/P		148	32	(23)	61	99	44	40	61	(136)	156	158	(232)	410	68	74	82	25
(+/-) Change SHS Deferred Acquisition Costs		18	17	16	17	16	17	16	16	15	16	16	16	198	101	39	7	7
(+/-) Change SHS Unearned Revenue		(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(504)	(269)	(120)	(29)	(29)
(-) SHS PA Adjustment		(8)	(10)	(7)	(7)	(9)	(7)	(6)	(8)	(6)	(6)	(7)	(5)	(84)	(50)	(23)	(23)	(23)
(+) Cross Country Adjustment		5	5	5	5	5	5	5	5	5	5	5	-	54	-	-	-	-
(-) Liability Assumption Payment		-	(43)	-	(139)	-	-	-	-	-	-	-	-	(182)	-	-	-	-
(-) Cure Costs & Addt'l RE Taxes		(20)	(30)	(30)	(12)	(12)	(12)	(12)	(12)	-	-	-	-	(140)	-	-	-	-
(-) Designation Rights Costs		(11)	(13)	-	-	-	-	-	-	-	-	-	-	(25)	-	-	-	-
(+) Cash Savings from CIA Inventory		74	74	-	-	-	-	-	-	-	-	-	-	148	-	-	-	-
Cash Flow Before Revolver Draw / (Repayment)		**($9)**	**$147**	**($204)**	**($50)**	**$385**	**$85**	**($146)**	**($158)**	**($87)**	**($120)**	**$416**	**($137)**	**$123**	**($31)**	**$113**	**$275**	**($9)**
Unlevered Free Cash Flow		***1***	***156***	***(195)***	***(73)***	***508***	***106***	***(125)***	***(136)***	***(64)***	***(97)***	***488***	***(115)***	***453***	***274***	***467***	***321***	***297***
Beginning ABL Balance	$653	$478	$486	$322	$526	$609	$190	$105	$251	$409	$496	$616	$200	$478	$337	$367	$254	-
Draw / (Repayment)	(175)	9	(147)	204	83	(419)	(85)	146	158	87	120	(416)	137	(141)	31	(113)	(254)	-
Ending ABL Balance	**$478**	**$486**	**$322**	**$526**	**$609**	**$190**	**$105**	**$251**	**$409**	**$496**	**$616**	**$200**	**$337**	**$337**	**$367**	**$254**	**-**	**-**
Borrowing Base - Total	***1,130***	***1,222***	***1,148***	***1,261***	***1,263***	***1,067***	***1,000***	***1,083***	***1,208***	***1,153***	***1,334***	***1,165***	***1,001***	***1,001***	***1,001***	***1,001***	***1,035***	***1,073***
Borrowing Base - Revolver	*880*	*972*	*898*	*1,011*	*1,013*	*817*	*750*	*833*	*958*	*903*	*1,084*	*915*	*751*	*751*	*751*	*751*	*785*	*823*
Ending ABL Availability[10]	*402*	*486*	*559*	*485*	*437*	*627*	*645*	*582*	*549*	*406*	*434*	*715*	*414*	*414*	*383*	*496*	*785*	*823*
Less: FCCR Reserve	*(88)*	*(97)*	*(90)*	*(101)*	*(101)*	*(82)*	*(75)*	*(83)*	*(96)*	*(90)*	*(105)*	*(92)*	*(75)*	*(75)*	*(75)*	*(75)*	*(79)*	*(82)*
Ending Availability - Net of Reserve	*314*	*388*	*469*	*384*	*336*	*545*	*570*	*498*	*453*	*316*	*329*	*624*	*339*	*339*	*308*	*421*	*707*	*741*
Ending Liquidity	*314*	*388*	*469*	*384*	*369*	*545*	*570*	*498*	*453*	*316*	*329*	*624*	*339*	*339*	*308*	*421*	*728*	*753*
Ending ABL Balance[11]	$478	$486	$322	$526	$609	$190	$105	$251	$409	$496	$616	$200	$337	$337	$367	$254	$0	$0
Citi L/C Facility	271	271	271	271	271	271	271	271	271	271	271	271	271	271	271	-	-	-
Term Loan	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250
Real Estate Debt	175	175	175	175	208	195	182	168	155	142	128	115	102	102	-	-	-	-
Exit Financing	350	354	359	364	368	272	276	279	283	287	290	244	247	247	173	202	235	-
Total Debt Outstanding	**$1,524**	**$1,537**	**$1,377**	**$1,585**	**$1,707**	**$1,179**	**$1,084**	**$1,220**	**$1,369**	**$1,446**	**$1,556**	**$1,080**	**$1,206**	**$1,206**	**$1,062**	**$706**	**$485**	**$250**
Interest Expense	**N/A**	**14**	**14**	**14**	**15**	**13**	**11**	**12**	**12**	**13**	**13**	**12**	**11**	**153**	**129**	**112**	**79**	**71**
										Debt / LTM EBITDA:				**N/A**	**6.2x**	**1.9x**	**1.2x**	**0.6x**
										LTM EBITDA / Interest Expense:				**0.2x**	**1.3x**	**3.4x**	**5.2x**	**6.4x**

Note: Assumes 2% OID on Term Loan; Excludes any annual fee on real estate debt; Assumes Jr. DIP PIK interest with maturity of 12/23

1. L/C Facility priced 300bps wider than Term Loan
2. Model illustrates payment of L+850bps cash interest; Facility has PIK Toggle with PIK interest rate of L+1050bps
3. Model illustrates payment of L+1300bps PIK interest; Facility has PIK Toggle with cash interest rate of L+1000bps
4. Initial draw prior to repayment from real estate debt proceeds
5. Capex includes $30mm maintenance capex, $30mm IT capex, $10mm supply chain capex and $50mm store growth capex
6. Assumes $200mm of annual sale-lease back transactions from 2019-2021, pro-rata by month; does not account for incremental associated lease expense; assumes 100% of proceeds are used to pay down any the ABL in the first 4 months, and then 80% of proceeds used starting June 2019, while the remaining 20% is used to pay down the ABL facility; Assumes facility is fully paid down at end of 2021
7. Conservatively assumes the sale of previously unencumbered assets acquired in conjunction with the rollover of the Jr. DIP of in $100mm in June 2019, $100mm in June 2020 and $30mm in December 2020; All proceeds assumed to pay down Jr. Dip Rollover
8. Includes mandatory repayment of real estate debt, Jr. Dip Facility and Citi L/C facility
9. Assumes 3 stores with negative 4-wall EBITDA sold per month in 2019; conservatively assumes no EBITDA benefit associated with sale of stores
10. Ending Availability at closing is subject to continued diligence of outstanding 1L balance at close
11. Reflects $17.5mm of L/C reduction under ABL in March 2019

Financial Overview

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2019 Monthly Working Capital Budget & 2020F-2023F Annual Forecast

($ in millions)

Forecasted Working Capital Overview

($ in Millions)	Closing	Feb-2019	Mar-2019	Apr-2019	May-2019	Jun-2019	Jul-2019	Aug-2019	Sep-2019	Oct-2019	Nov-2019	Dec-2019	Jan-2020	2019F	2020F	2021F	2022F	2023F
Working Capital Forecast[1]																		
Ending Cash Balance	-	-	-	-	$33.3	-	-	-	-	-	-	-	-	-	-	-	$20.9	$12.0
Inventory	1,553.0	1,710.2	1,594.3	1,740.2	1,739.4	1,464.4	1,376.5	1,483.3	1,654.6	1,523.3	1,699.6	1,566.0	1,418.0	1,418.0	1,418.0	1,418.0	1,466.5	1,519.0
Accounts Receivable	64.0	44.0	42.0	47.2	57.1	51.4	39.5	49.8	39.7	55.6	127.7	47.8	32.7	32.7	32.7	32.7	33.8	35.1
Vendor Accounts Receivable	153.2	153.2	114.9	76.6	38.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Pharmacy Receivables	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Pharmacy Scripts	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0
Accounts Payable	166.0	148.4	180.6	157.7	218.8	318.0	361.8	401.9	463.2	327.6	483.5	641.7	409.6	409.6	477.8	551.6	634.1	659.4
Accounts Payable Days		10	13	15	18	20	32	32	32	32	32	32	32	32	37	42	45	45
SHS Deferred Acquisition Cost	352.7	334.6	317.4	301.5	284.2	267.9	251.4	234.9	218.6	203.2	186.9	170.6	154.3	154.3	53.7	14.9	7.5	-
SHS Unearned Revenue	950.3	908.3	866.3	824.3	782.3	740.3	698.3	656.3	614.3	572.3	530.3	488.3	446.3	446.3	177.5	57.5	28.7	-

1. Represents forecast for period ending balance; working capital under further diligence

Exhibit C

Preliminary Business Plan

DRAFT

Sears Holdings Corporation

December 2018

SEARS HOLDINGS

Table of Contents

I. The Network Benefit

[DRAFT – Subject to Review]

Sears Holdings is a retailer with an integrated network of businesses using its retail footprint to provide synergistic value to many businesses

KENMORE

Value – Significant amount of customers go to Sears specifically to purchase Kenmore products

Synergy – Drives store revenues and Protection Agreement sales at Sears Home Services

Growth – Expand existing and target new third-party distributors

SEARS HOME SERVICES

Value – Market leading repair, parts, installation and protection business

Synergy – Protection Agreement revenue driven by appliance sales at Sears locations

Growth – A re-organized and properly capitalized Sears could bring in partners to help drive growth

SHOPYOURWAY

Value – Provides robust rewards program for Sears network

Synergy – ShopYourWay activity and corresponding value is directly related to the store footprint

Growth – Grow existing and add new third-party ShopYourWay partners

sears®

NewCo 505 Brick and Mortar Footprint

INNOVEL

Value – One of a few logistics companies with cross-country, 2-day delivery and installation fulfillment capabilities

Synergy – Core part of Sears supply chain

Growth – Cultivate existing and target new 3rd party partners

E-COMMERCE BUSINESS

Value – Retailers require strong online presence in an era of ever-expanding technology

Synergy – Local store presence drives customers online and vice versa

Growth – Additional investments Driving growth via higher conversion and traffic

SEARS AUTO

Value – Leading brand in auto center repair industry

Synergy – Drives business at co-located Sears locations and DieHard economics

Growth – Open new detached locations and/or partner with 3rd party providers

FINANCIAL SERVICES

Value – Revenue share program with Citi

Synergy – Integration with ShopYourWay and size and store footprint drives economics

Growth – Add to existing product portfolio; scales with other business

REAL ESTATE

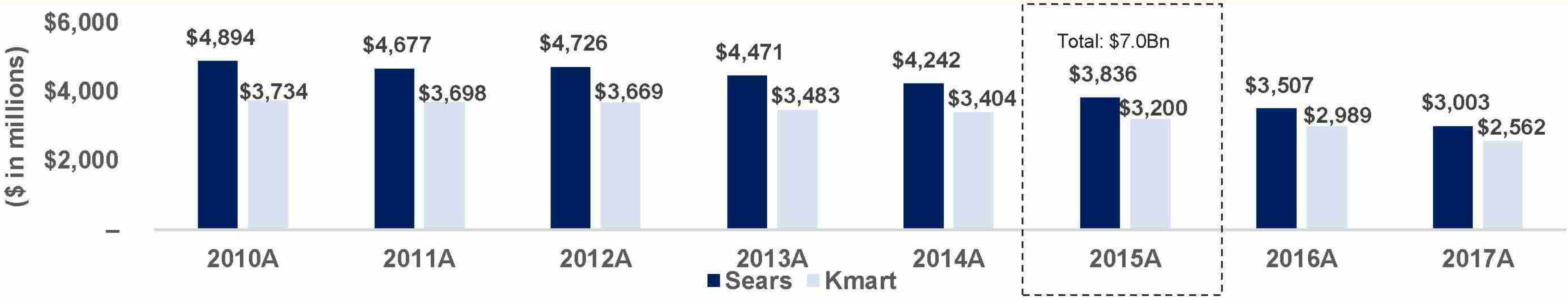
Value – Attractive assets and a diversified geographic footprint (located in all 50 states, as well as Puerto Rico and Guam), is key to an integrated retail solution

II. Financial Estimates and Projections

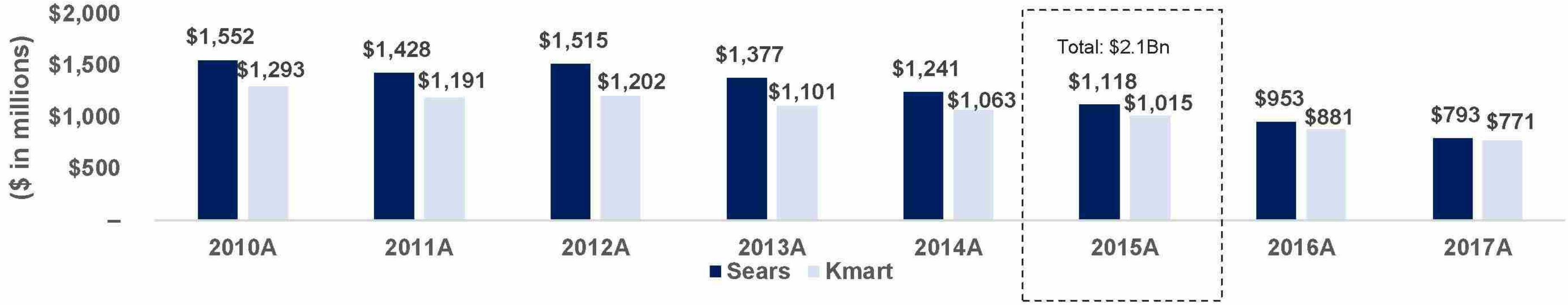
[DRAFT – Subject to Review]

The 505 stores in our go-forward plan delivered over $7BN of revenue and $338MM of store-level EBITDA in 2015(1)

Historical Revenue



Historical Gross Margin



Historical EBITDA

(1) Sears and Kmart store 4-wall financials only; excludes Sears Auto Center, Online and ShopYourWay

[DRAFT – Subject to Review]

Our business plan is driven by a robust, store-level financial model

Assumptions and Methodology by Business Unit

	Methodology	Assumptions
Retail (Brick & Mortar, Sears Auto Center, Online & ShopYourWay)	• Brick and Mortar: By store revenue and EBITDA build • Sears Auto Center: By store revenue and EBITDA build • Online: Growth off of historical performance • ShopYourWay ("SYW"): Based on percentage of sales realized historically	• Footprint reduced to 505 total stores (266 Sears & and 239 Kmart) • Forecast driven off LTM actual performance through October 2018 • Management operational initiatives drive improving same-store sales comps of: – 2019 FY: (2.4%) – 2020 FY: +2.7% – 2021 FY: +3.5% • Due to limited seasonal inventory purchasing in softlines, there may be downside risk to 1H19 same-store sales comps, but upside in 2H19 • Management initiatives also result in 250-300 bps of gross margin improvement in 2019 • Fixed operating expenses held flat in 2019; grown at 2% thereafter • Inventory by Kmart / FLS format per company management forecast; 5 day terms ramping to 60 day terms over 2.5 year period through 2021 • Online: 2019-2021 revenue growth of 5% per annum • ShopYourWay: ~1.9% of total online and retail sales (based on LTM actuals)
Home Services	• Underlying business segments forecasted based on key drivers; based on management team's detailed financial model	• SHIP sold to stalking horse buyer and is excluded from forecast • Protection agreement business continues to originate policies through new agreement with Assurant • Business segment initiatives (e.g. website rebuild, B2B refocus, etc.) will continue positive operating momentum
Other Businesses	• Financial Services based on percentage of sales realized historically • Kenmore driven by historical trends by sales channel	• Financial Services: ~1.7% of total FLS retail sales (based on LTM actuals) • Kenmore / DieHard: – Same store sales grown 5% per annum – Amazon growth based on management projections – No new third-party distributors • Monark: Same store sales grown 5% per annum
Overhead, SG&A and Supply Chain & Logistics	• Management forecast based on result of three week long review of costs at each business unit by Office of the CEO and M-III	• Home Office SG&A: Reduced from ~$850MM current run-rate to ~$420MM on a run-rate basis • Supply Chain & Logistics: 9 conveyable distribution centers reduced to 5 • Innovel: Third party revenue ramps from $73MM in 2018 to $500MM+ in 2021

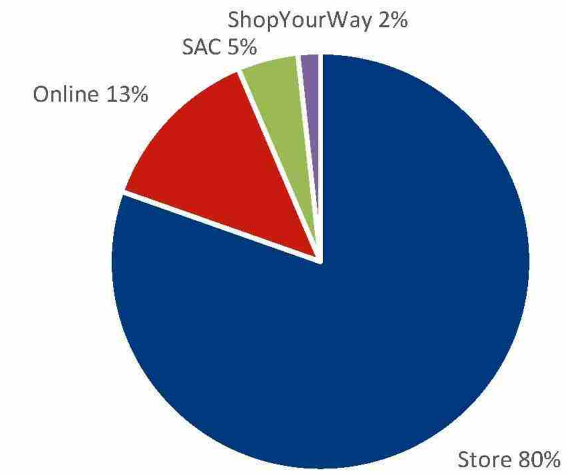
[DRAFT – Subject to Review]

A smaller, balanced Sears and Kmart footprint delivers $329MM of retail EBITDA in 2019 (comprised of 505 stores, Sears Auto, Online, and ShopYourWay)

Business Overview

- Sears' Retail Business consists of its 266 Sears Stores, 239 Kmart Stores and their respective Online presences
- The business is broken into the primary categories below:
  - Hardlines: Home Appliances ("HA"), consumer electronics, tools, lawn & garden, outdoor living, sporting goods, mattresses, and Monark businesses
  - Softlines: Apparel, footwear, home, and jewelry businesses; these businesses sell an assortment of proprietary brands as well as third party retail options
  - Sears Auto Centers: Multi-channel automotive aftermarket service provider offering replacement tires, mechanical diagnostics and repair, vehicle maintenance products and services, batteries and battery-related accessories, as well as automotive accessories and chemicals for cars and light trucks
  - Grocery & Drugstore, Pharmacy, and Children's Entertainment & Seasonal: Grocery, household and pet supplies, beauty care, over-the-counter health & wellness, stationery, party supplies, children's entertainment products, seasonal merchandise, dispenses prescription drugs and performs clinical services

Revenue by Segment



FY 2019E Revenue: $6.3BN Revenue

FY2019 Forecasted Financials

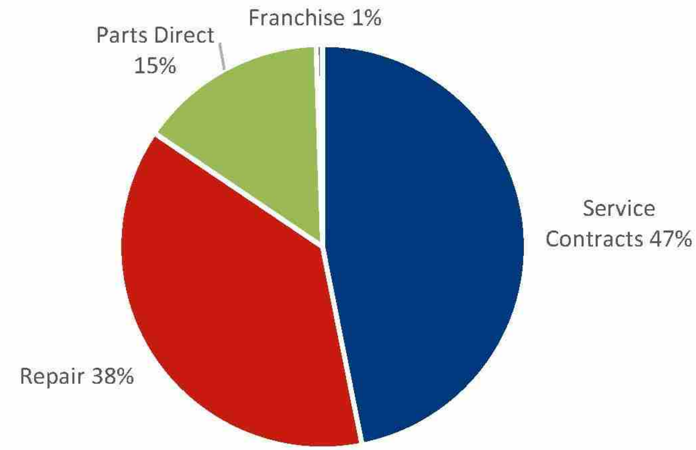
($ in MM)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY2019
Same Store Sales (% Change)	*(3.1%)*	*(3.3%)*	*(4.0%)*	*(3.8%)*	*(5.0%)*	*(4.6%)*	*(4.1%)*	*(4.9%)*	*(0.6%)*	*1.0%*	*1.1%*	*(0.3%)*	*(2.4%)*
Brick and Mortar Revenue	$323	$416	$331	$396	$477	$346	$362	$410	$337	$514	$732	$401	$5,045
Sears Auto Center Revenue	21	26	20	21	27	21	22	26	23	25	31	27	291
Online Revenue	62	75	59	74	93	57	68	80	34	80	83	62	826
ShopYourWay	6	12	7	8	11	7	8	10	6	8	17	8	108
Total Revenue	**$412**	**$530**	**$417**	**$499**	**$607**	**$431**	**$459**	**$526**	**$401**	**$627**	**$863**	**$498**	**$6,270**
(-) COGS	(294)	(370)	(276)	(342)	(424)	(294)	(334)	(377)	(273)	(451)	(599)	(370)	(4,402)
Gross Margin	**$118**	**$160**	**$141**	**$157**	**$183**	**$138**	**$125**	**$149**	**$128**	**$176**	**$264**	**$128**	**$1,868**
Margin (%)	*29%*	*30%*	*34%*	*32%*	*30%*	*32%*	*27%*	*28%*	*32%*	*28%*	*31%*	*26%*	*30%*
(-) Operating Expenses	($118)	($131)	($110)	($118)	($134)	($117)	($118)	($132)	($119)	($139)	($162)	($140)	($1,539)
Retail EBITDA	**$0**	**$29**	**$30**	**$39**	**$48**	**$21**	**$8**	**$17**	**$9**	**$37**	**$103**	**($12)**	**$329**
Margin (%)	*0%*	*5%*	*7%*	*8%*	*8%*	*5%*	*2%*	*3%*	*2%*	*6%*	*12%*	*(2%)*	*5%*

Sears Home Services is a major EBITDA contributor to SHC

Business Overview

- Sears Home Services ("SHS") is the largest broad line provider of service contracts, services, and parts with a national footprint
- Service Contracts:
  1) Protection agreements – extended warranty for a single appliance or large lawn equipment
  2) Home warranty – protects all appliances and/or all HVAC systems
- In-Home Repair:
  1) Protection agreement service – traditional service of Sears-sold protection agreements
  2) B2B(1) – serving industry – original equipment manufacturers ("OEMs"), home warranty companies, etc.
  3) D2C(2) – serving customers with no warranty; pay cash for repairs
- PartsDirect: Serving the DIY customers
  – Searspartsdirect.com is the largest e-commerce website for appliance and lawn & garden parts
  – Parts sales on 3rd party marketplaces such as Amazon and eBay using DIY repair parts brands
- Franchise: National footprint of franchisees
  – Carpet & upholstery care, air duct cleaning & indoor air quality, garage solutions, maid services and handyman solutions

Revenue by Segment



FY 2019E Revenue: $1.7BN Revenue

FY2019 Forecasted Financials

($ in MM)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY2019
Revenue	$127	$160	$131	$133	$166	$135	$132	$162	$125	$126	$155	$129	$1,681
(-) COGS	(32)	(41)	(36)	(37)	(46)	(38)	(38)	(43)	(30)	(32)	(39)	(33)	(444)
Gross Margin	**$94**	**$119**	**$95**	**$96**	**$120**	**$97**	**$95**	**$119**	**$95**	**$94**	**$116**	**$96**	**$1,237**
Margin (%)	*74%*	*74%*	*73%*	*72%*	*72%*	*72%*	*72%*	*73%*	*76%*	*75%*	*75%*	*75%*	*74%*
(-) Operating Expenses	($75)	($92)	($77)	($78)	($97)	($79)	($78)	($95)	($77)	($78)	($93)	($76)	($994)
EBITDA	**$19**	**$27**	**$18**	**$18**	**$22**	**$18**	**$17**	**$24**	**$18**	**$17**	**$22**	**$20**	**$242**
Margin (%)	*15%*	*17%*	*14%*	*14%*	*14%*	*14%*	*13%*	*15%*	*14%*	*13%*	*14%*	*16%*	*14%*

Note: Excludes Sears Home Improvement
(1) Refers to "business-to-business"
(2) Refers to "direct-to-consumer"

Financial Services drives an incremental $142MM of profitability for Sears(1)

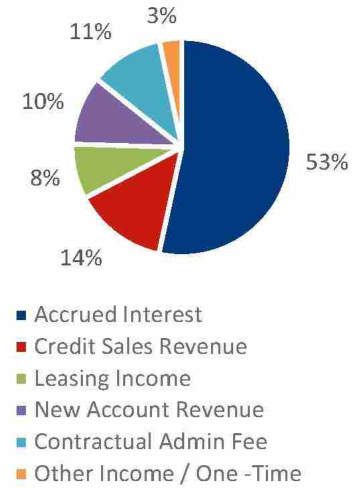
Business Overview

- The ShopYourWay Financial Services business unit provides credit, financial products, and payments solutions through a number of retail formats, as well as in online and commercial channels
- Diverse product portfolio includes:
  - Consumer credit (private label and general purpose cards)
  - Third party payment options (Visa, MasterCard, American Express, Discover, PIN Debit)
  - Layaway
  - Gift card
  - Alternative financial services (check cashing, bill pay, etc.)
- Provides financing options to support customers' ability to pay and drive incremental visits and profits to Sears Holding Corporation ("SHC") retail locations and increase loyalty and of customers to SHC via the SYW rewards program
- **Financial Services contributes $142MM(3) of profitability at Sears through three categories:**
  - Financial services generates $51MM of revenue
  - Amortization of the Citi agreement generates $57MM of revenue per year (non-cash)
  - Citi card agreement also saves ~$45MM of interchange fees which are not included as part of the business unit's EBITDA (included in SHC/store financials)

Revenue by Segment

Store Related Revenue (2)

Non-Pass Through Revenue



FY 2019E Revenue: $107MM Revenue

FY2019 Forecasted Financials

($ in MM)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY2019
Revenue	$3	$4	$3	$4	$5	$4	$4	$4	$3	$5	$7	$4	$51
Non-Cash Citi Agreement Revenue	5	5	5	5	5	5	5	5	5	5	5	5	57
Total Revenue	**$8**	**$9**	**$8**	**$9**	**$10**	**$8**	**$8**	**$9**	**$8**	**$10**	**$12**	**$9**	**$107**
(-) Operating Expenses	(0)	0	(0)	(0)	(1)	(0)	(1)	(1)	(0)	(1)	(1)	(0)	(5)
EBITDA	**$8**	**$9**	**$8**	**$8**	**$9**	**$8**	**$8**	**$8**	**$8**	**$9**	**$11**	**$8**	**$102**

(1) See detailed breakdown below in "Business Overview"
(2) Revenue by segment based on LTM revenue as reported by the Company
(3) Net of $5MM of operating expenses

[DRAFT – Subject to Review]

Same-store sales comps improved significantly prior to the Chapter 11 filing

Initiatives by Segment

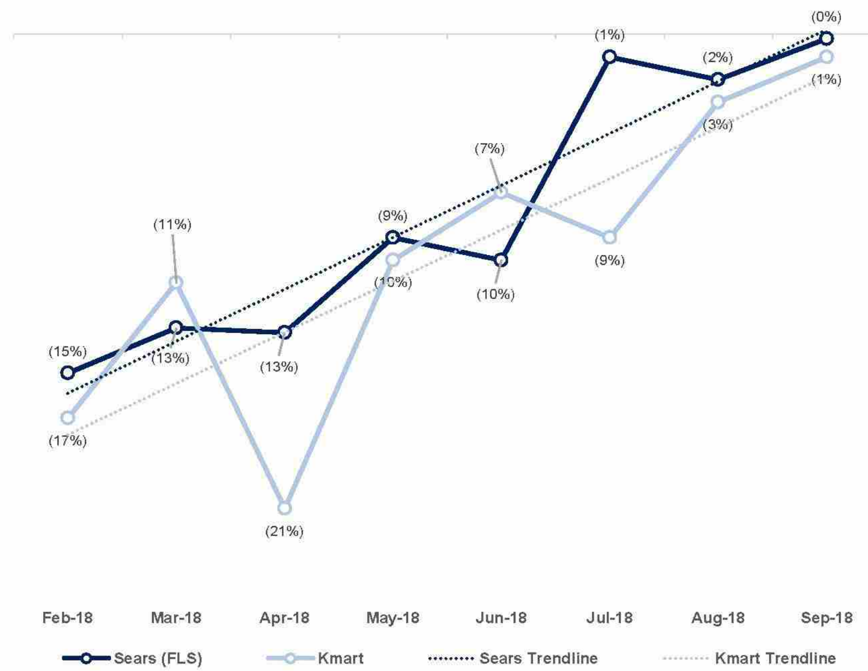
Softlines Initiatives

- ShopYourWay cashback offers are underway, plus prices have been adjusted upwards by lowering promotional marketing dollars to fund points and improve margin dollars
- Adjusting pricing further to lower promotional depth due to increased demand driven by SYW Points to improve margin dollars

Hardlines Initiatives

- Investment in digital marketing (e.g. search engine marketing, data-feeds, affiliates, retargeting)
- Free delivery
- "Mores of Kenmore"
- Creative offers (e.g. bundled promotions; value-positioned product upgrades, etc.)
- Launch of "leasing online"
- Increased focus on shopping recaps (e.g. "abandoned carts" in store to drive purchase online after store visit)
- Leverage of Home Services data to find potential future home appliance buyers (e.g. higher frequency of service on existing old appliances and declined service estimates / quotes)
- Increased television marketing spend

2018 YTD Same Store Sales Comps (% change)(1)



(1) Same-store comps based on Company data; includes online and Sears Auto, and is adjusted for the retail week calendar

With modest same-store sales growth from post-filing levels, SHC can return to operating profitability in 2019…

Consolidated Historical and Projected Financials

($ in MM)	2015A	2016A	2017A	2018E (1)	2019E	2020E	2021E
Same Store Sales Comps (%) (2)	*(8.0%)*	*(7.7%)*	*(14.3%)*	*(7.9%)*	*(2.4%)*	*2.7%*	*3.5%*
Revenue	**$24,533**	**$21,543**	**$16,248**	**$11,846**	**$8,553**	**$8,742**	**$9,172**
(-) COGS	(16,272)	(14,312)	(10,525)	(7,609)	(5,255)	(5,491)	(5,773)
Gross Margin	**$8,262**	**$7,230**	**$5,723**	**$4,237**	**$3,298**	**$3,250**	**$3,399**
Margin (%)	*33.7%*	*33.6%*	*35.2%*	*35.8%*	*38.6%*	*37.2%*	*37.1%*
(-) Operating Expenses	(7,005)	(6,240)	(4,889)	(3,765)	(2,613)	(2,554)	(2,586)
(-) Supply Chain & Logistics	(483)	(389)	(326)	(300)	(227)	(187)	(163)
(-) Home Office SG&A	(1,642)	(1,434)	(1,112)	(848)	(424)	(355)	(362)
(+) SHC Level PA EBITDA Adjustment (3)	33	36	46	54	84	50	23
EBITDA	**($836)**	**($798)**	**($557)**	**($621)**	**$117**	**$204**	**$311**
Margin (%)	*(3.4%)*	*(3.7%)*	*(3.4%)*	*(5.2%)*	*1.4%*	*2.3%*	*3.4%*

2019E EBITDA Sensitivity to Retail Same Store Sales (%) and Gross Margin (%)

Margin Expansion (bps)	Same Store Sales Growth / (Decrease)											
	(10.0%)	(8.0%)	(6.0%)	(4.0%)	(2.4%)	(2.0%)	–	2.0%	4.0%	6.0%	8.0%	10.0%
–	($149)	($118)	($86)	($55)	($30)	($24)	$7	$39	$70	$101	$132	$164
50	(125)	(93)	(61)	(30)	(4)	2	34	66	97	129	161	193
100	(101)	(69)	(36)	(4)	22	28	60	93	125	157	190	222
150	(77)	(44)	(12)	21	48	54	87	120	153	185	218	251
200	(53)	(20)	13	47	73	80	113	147	180	214	247	280
250	(30)	4	38	72	99	106	140	174	208	242	276	310
280	(13)	21	55	90	$\boxed{\$117}$	124	158	192	227	261	295	329
300	(6)	29	63	98	125	132	167	201	235	270	304	339

(1) YTD 9-month actuals through October 2018
(2) Go-forward 505 stores only. Excludes Sears Auto Centers.
(3) SHC level EBITDA adjustment related to the protection agreement business

[DRAFT – Subject to Review]

Retail, Home Services, and Financial Services drive profitability

Business Unit Historical and Projected Financials

($ in MM)	2015A	2016A	2017A	2018E (1)	2019E	2020E	2021E
Retail (4-Wall + Online + SYW)							
Revenue	$21,381	$18,492	$13,531	$9,140	$6,265	$6,318	$6,437
Gross Margin	6,541	5,476	4,119	2,629	1,868	1,933	2,056
EBITDA	959	628	531	233	329	360	444
Home Services (2)							
Revenue	$2,139	$2,159	$1,953	$1,749	$1,681	$1,573	$1,593
Gross Margin	1,582	1,592	1,433	1,251	1,237	1,107	1,099
EBITDA	195	266	222	126	242	208	210
Financial Services							
Revenue	$66	$68	$74	$107	$107	$101	$102
EBITDA	55	59	68	99	102	97	97
Other Businesses							
Kenmore / Craftsman / DieHard EBITDA	$11	$11	($2)	($6)	$14	$34	$64
Monark EBITDA	7	3	3	1	(3)	(2)	(1)
Overhead and Adjustments							
Home Office / Corporate SG&A	($1,642)	($1,434)	($1,112)	($848)	($424)	($355)	($362)
Supply Chain and Innovel	(483)	(389)	(326)	(300)	(227)	(187)	(163)
PA Corporate Level EBITDA Adjustment (3)	33	36	46	54	84	50	23
Other Adjustments	29	23	13	19	–	–	–
Total SHC EBITDA	**($836)**	**($798)**	**($557)**	**($621)**	**$117**	**$204**	**$311**
Retail EBITDA Detail							
505 Store Go-Forward 4-Wall EBITDA	$338	$162	$135	$35	$87	$109	$182
All Other 4-Wall EBITDA+ Online	81	(144)	(84)	(140)	9	11	13
Vendor Discounts & Other Adjustments	239	304	238	183	89	91	93
Sears Auto Center EBITDA	152	117	83	50	41	43	46
ShopYourWay EBITDA	149	190	160	105	102	105	109
Total Retail EBITDA	**$959**	**$628**	**$531**	**$233**	**$329**	**$360**	**$444**

(1) YTD 9-month actuals through October 2018
(2) Excludes SHIP in forecast; SHIP EBITDA was ($0.7)MM, $17.1MM and $19.0MM in 2015, 2016, and 2017, respectively
(3) SHC level EBITDA adjustment related to the protection agreement business

Working Draft / Preliminary FY2019E Monthly Budget

Working Draft / Preliminary FY2019E Monthly Budget

	2019E Monthly Budget												2019E	2020E	2021E
($ in MM)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Total	Total	Total
Retail (4-Wall + Online + SYW)															
Same Store Sales (% Change)	*(3.1%)*	*(3.3%)*	*(4.0%)*	*(3.8%)*	*(5.0%)*	*(4.6%)*	*(4.1%)*	*(4.9%)*	*(0.6%)*	*1.0%*	*1.1%*	*(0.3%)*	*(2.4%)*	*2.7%*	*3.5%*
Revenue	$412	$530	$417	$499	$607	$431	$459	$526	$401	$627	$863	$498	$6,270	$6,456	$6,697
Gross Margin	118	160	141	157	183	138	125	149	128	176	264	128	1,868	1,933	2,056
EBITDA	0	29	30	39	48	21	8	17	9	37	103	(12)	329	360	444
Home Services															
Revenue	$127	$160	$131	$133	$166	$135	$132	$162	$125	$126	$155	$129	$1,681	$1,573	$1,593
Gross Margin	94	119	95	96	120	97	95	119	95	94	116	96	1,237	1,107	1,099
EBITDA	19	27	18	18	22	18	17	24	18	17	22	20	242	208	210
Financial Services															
Revenue	$3	$4	$3	$4	$5	$4	$4	$4	$3	$5	$7	$4	$107	$101	$102
EBITDA	8	9	8	8	9	8	8	8	8	9	11	8	102	97	97
Other Businesses															
Kenmore / Craftsman / DieHard EBITDA	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$14	$34	$64
Monark EBITDA	(1)	0	(1)	(1)	(0)	0	0	1	(1)	(0)	(0)	(0)	(3)	(2)	(1)
Overhead and Adjustments															
Home Office / Corporate SG&A	(43)	(42)	(41)	(41)	(41)	(36)	(30)	(31)	(30)	(29)	(30)	(29)	(424)	(355)	(362)
Supply Chain and Innovel	(23)	(18)	(22)	(21)	(16)	(19)	(19)	(16)	(23)	(22)	(11)	(17)	(227)	(187)	(163)
PA Corporate Level EBITDA Adjustment (1)	8	10	7	7	9	7	6	8	6	6	7	5	84	50	23
Total SHC EBITDA	**($30)**	**$15**	**($0)**	**$11**	**$32**	**$0**	**($9)**	**$12**	**($12)**	**$18**	**$103**	**($24)**	**$117**	**$204**	**$311**
Retail EBITDA Detail															
Brick and Mortar 4-Wall EBITDA	($15)	$6	$13	$18	$23	$3	($12)	($4)	($2)	$15	$72	($30)	$87	$109	$182
Vendor Discounts & Other Adjustments	6	7	5	7	8	6	7	7	6	9	13	8	89	91	93
Sears Auto Center EBITDA	3	4	3	3	4	3	4	3	4	3	5	4	41	43	46
Online EBITDA	1	0	3	5	3	2	2	1	(4)	2	(4)	(1)	9	11	13
ShopYourWay EBITDA	6	12	6	7	10	7	7	9	6	8	17	7	102	105	109
Total Retail EBITDA	**$0**	**$29**	**$30**	**$39**	**$48**	**$21**	**$8**	**$17**	**$9**	**$37**	**$103**	**($12)**	**$329**	**$360**	**$444**

Refer to page 16 for transition risks and upsides to the preliminary FY2019 plan

(1) SHC level EBITDA adjustment related to the protection agreement business.

[DRAFT – Subject to Review]

1H 2019 risks associated with filing-driven headwinds also present potential upside for outperformance vs. plan in 2H 2019

2019 Business Risks & Opportunities

	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Risks	• Spring seasonal inventory purchasing has been limited during the bankruptcy period. Given large lead times, the Company may have potential in-stock issues on seasonal products • Consumer confidence overhang on appliance sales as Sears needs to win back the member base	• During bankruptcy, Spring / Summer inventory orders were limited, which could have a negative impact to the in-stock rate during the quarter • Will be difficult to replicate post Hurricane Maria sales levels in offshore stores given the significant demand created from destruction of personal property	• Potential issues with Fall / Winter supply if the Company does not purchase adequate levels in early 2019 • Continued potential overhang in offshore stores affected by Hurricane Maria	• Limited risk given Q4 2018 faced bankruptcy headwinds, vendor constraints, limited liquidity, and damaged consumer confidence. Expect the Company to perform strongly if given adequate time to plan inventory buys and sufficient capital to invest
Opportunities	• Opportunity to negotiate better terms with vendors than were seen prior to filing where a significant portion of major vendors were CIA • Merchants could pursue opportunities to source seasonal goods domestically with shorter lead times	• Large opportunity to push appliance sales and win back members with significant marketing campaigns for 4th of July – historically a large appliance sales weekend • Lower Spring / Summer seasonal inventory levels create opportunity to see lower markdowns during the quarter • Large opportunity to have completed filling vacant positions and stabilize the workforce	• The Company is annualizing Q3 2018 which had a relatively worse-than-normal product offering due to cash constraints in June 2018 as liquidity began to tighten • Lower Spring / Summer seasonal inventory levels create opportunity to see lower markdowns in September	• Company should see significant growth off of Q4 2017, which experienced significant headwinds from vendor issues and limited consumer confidence • Opportunity to see growth in Protection Agreement sales as the Company was unable to sell the product in 34 states for a period of time • Company will be lapping Q4 2018 which had lower marketing spend due to bankruptcy liquidity constraints

III. Our Go-Forward Initiatives

[DRAFT – Subject to Review]

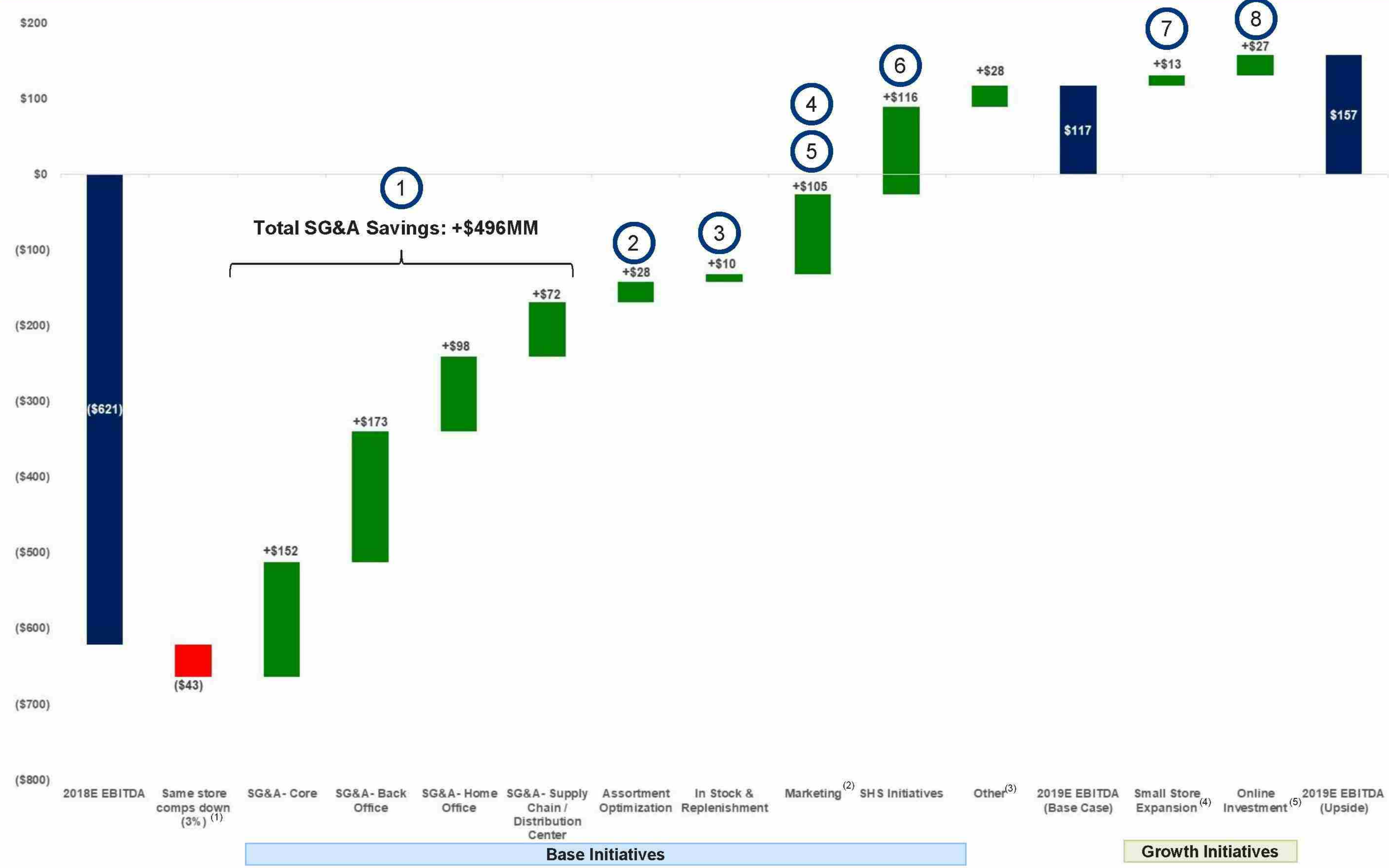
Key initiatives will drive margin and EBITDA growth from FY2018 to FY2019

Initiative	Description
Base Case Forecast	
1 SG&A:	▪ Initiatives to reduce corporate SG&A expense from ~$1.2BN to an annual run-rate of ~$700MM by the end of 2019 and $577MM by the end of 2021 ▪ Payroll reductions on over 1,000 positions in November – and planned reductions of over 1,400 positions in January ▪ >$250MM in non-payroll reductions focused in marketing, IT, contracts, and professional services across back-office groups ▪ Supply chain costs reduced by $73MM through a reduction in non-core distribution centers
2 Assortment Optimization:	▪ Reduce the number of SKUs across the company – includes better use of distribution center storage and favorable vendor costs ▪ Leverage brands between Kmart and Sears formats – includes rollout of Jaclyn Smith and Adam Levine product lines ▪ Develop competitor data scraping capabilities to help identify pricing and trend opportunities early on
3 In Stock & Replenishment:	▪ In-stock: continuously improve in-stocks while minimizing non-productive inventory ▪ Replenishment: differentiation between basics and seasonal items and implementation of pack/size optimization
4 Marketing - Traditional:	▪ Utilizing “always on” strategy for broadcast / online video to improve unaided consideration scores for hardlines ▪ Launch brand equity messaging prior to key promotional selling periods ▪ Focus all media buys to go forward store locations
5 Marketing - Digital ROI:	▪ Leverage the online team’s tracking and modeling to improve return on investment for the various digital marketing channels
6 SHS Initiatives:	▪ Direct to Consumer (“D2C”) – continued technician investment, improved pricing techniques, and optimized marketing efforts ▪ Business to Business (“B2B”) – improvements to pricing strategy, service quality, and job-completion turnover times ▪ PartsDirect website rebuild – enable multi-touch marketing analytics to better understand and improve the customer journey
Upside Growth Scenario	
7 Small Store Footprint:	▪ Rollout of a modified store model with enhanced customer services capabilities better positioned to cater to local communities
8 Online Investment:	▪ Initiatives include personalization with machine learning, redesign of the website to improve user experience for key categories, and integration of “Marketplace” into core online business strategy

[DRAFT – Subject to Review]

Financial impact from key initiatives driving positive EBITDA in FY2019

EBITDA Bridge from FY2018E to FY2019E



(1) Same-store sales based on pre-bankruptcy 3-month trend from July 2018 – September 2018
(2) Includes $17MM incremental EBITDA from Digital Marketing initiatives, $17MM incremental EBITDA from Traditional Marketing initiatives, and $73MM incremental EBITDA from ShopYourWay Points Reductions
(3) Includes EBITDA impact from other business units, including Financial Services, Kenmore, ShopYourWay, and Sears Auto Center, as well as a reduced store footprint other corporate level adjustments
(4) Based on 44 new stores requiring $64MM of capex; run-rate EBITDA impact will total $18MM in 2020 once fully ramped.
(5) Online growth initiative requires $5mm of upfront one-time capex in 2019 and $7mm of ongoing maintenance capex.

1

[DRAFT – Subject to Review]

SG&A reductions deliver ~$496MM in cuts from FY2018 to FY2019

	Quarterly Pacing					Annual				FY2018 to
($ in millions)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2018	FY 2019	FY 2020	FY 2021	FY2019
Core (Retailing)										
Buying Organization	$27	$20	$18	$14	$14	$142	$67	$58	$60	($75)
Retail Services & Online	22	14	14	14	14	109	57	58	59	(52)
Marketing(1)	12	5	5	5	5	46	20	21	21	(25)
Total CORE (Retailing)	**$61**	**$39**	**$37**	**$34**	**$34**	**$297**	**$144**	**$137**	**$140**	**($152)**
Back Office										
Legal	4	4	4	4	4	37	16	16	16	(21)
Accounting	5	5	5	5	5	30	19	19	20	(11)
FP&A	0	0	0	0	0	2	2	2	2	(1)
GM Team	0	-	-	-	-	1	-	-	-	(1)
Internal Audit	0	0	0	0	0	3	1	1	1	(2)
Procurement	1	0	0	0	0	6	2	2	2	(4)
Risk Management	0	0	0	0	0	2	1	1	1	(1)
Treasury	2	1	1	1	1	11	6	6	6	(5)
Real Estate(2)	7	7	7	7	7	33	27	27	28	(6)
HR	4	2	2	2	2	32	9	9	9	(23)
IT	44	48	43	20	16	216	127	64	65	(89)
Call Centers(3)	7	6	6	6	6	35	23	24	24	(12)
Holding Company & Other	2	1	1	1	1	3	4	3	3	1
Total Back Office	**$77**	**$75**	**$70**	**$47**	**$43**	**$409**	**$236**	**$175**	**$178**	**($173)**
Home Services and Other										
Home Services	6	6	6	6	6	45	23	23	23	(22)
Sears Auto Centers	1	2	2	2	2	15	7	7	7	(8)
Kenmore, Craftsman & Diehard	3	2	1	1	1	16	6	5	5	(11)
Contract Appliances	0	0	0	0	0	0	0	0	0	(0)
Builder Distributors	0	0	0	0	0	1	0	0	0	(1)
Connected Living	0	0	0	0	0	1	1	0	1	(1)
Service Live	0	0	0	0	0	2	1	1	1	(1)
Supply Chain Home Office	3	3	3	3	3	16	12	12	12	(5)
Shop Your Way	8	5	5	5	5	51	20	20	21	(31)
Gross Healthcare & Benefits	9	7	6	6	6	43	25	26	26	(18)
Total HS & Other Businesses	**$30**	**$24**	**$23**	**$23**	**$23**	**$192**	**$94**	**$94**	**$96**	**($98)**
Total Home Office	**$168**	**$139**	**$131**	**$104**	**$100**	**$898**	**$474**	**$406**	**$414**	**($423)**
Supply Chain DC Operations(4)	60	63	56	58	49	300	227	187	163	(72)
Total	**$228**	**$202**	**$187**	**$163**	**$149**	**$1,197**	**$701**	**$593**	**$577**	**($496)**
Memo: Bridge to Corporate SG&A										
Gross Home Office / Corporate SG&A						*898*	*474*	*406*	*414*	*(423)*
(-) SHO and Lands' End Overhead Reimbursement						*(50)*	*(50)*	*(51)*	*(52)*	*-*
Net Forecasted Home Office / Corporate SG&A						*848*	*424*	*355*	*362*	*(423)*

(1) All of digital marketing spend is allocated to the stores and reductions are included in the marketing initiatives
(2) Real estate current run-rate removes the $8.9MM EDA tax credit from the city of Hoffman Estates
(3) Primarily composed of online; total reduction as reported by the MSO team
(4) Includes $73.0MM of total internal margin charge from the stores; 2021E includes Innovel estimated 3rd party revenue of $511MM

1

[DRAFT – Subject to Review]

We have already taken action on over 1,000 total positions (effective November 15th 2018)

($ in 000s)

	Active			Open Positions			Total		
Business	**Active**	**Total Salary**	**Average Salary**	**Open**	**Total Salary**	**Average Salary**	**Positions**	**Total Salary**	**Average Salary**
Home Services	161	$13,059	$81	4	$431	$108	165	$13,490	$82
Call Centers	16	1,041	65	-	-	NA	16	1,041	65
Retail (Central support)	224	10,828	48	13	602	46	237	11,430	48
Merchants-Off Price	8	563	70	4	410	102	12	973	81
Health and Wellness Solutions	3	474	158	1	105	105	4	579	145
Sourcing - US	1	109	109	-	-	NA	1	109	109
KCD	7	856	122	4	315	79	11	1,171	106
Human Resources	28	1,680	60	5	300	60	33	1,980	60
Legal	20	1,804	90	11	987	90	31	2,790	90
Finance	13	1,323	102	-	-	NA	13	1,323	102
Pricing	3	350	117	-	-	NA	3	350	117
Procurement	16	1,357	85	2	250	125	18	1,607	89
Asset Profit & Protection	41	2,693	66	9	611	68	50	3,305	66
Supply Chain/Innovel - Corp	-	-	NA	-	-	NA	-	-	NA
Inventory Mgmt	-	-	NA	6	628	105	6	628	105
Marketing/IMX/Studio	54	4,292	79	-	-	NA	54	4,292	79
Analytics	6	627	105	2	392	196	8	1,019	127
Online	9	934	104	33	1,884	57	42	2,818	67
Financial Services	3	450	150	2	156	78	5	606	121
Real Estate	42	2,130	51	4	451	113	46	2,581	56
Kenmore Direct - CS (Field)	83	2,431	29	1	65	65	84	2,496	30
Kenmore Direct - CD (Seattle)	17	1,595	94	-	-	NA	17	1,595	94
SYW(1)	183	16,853	92	1	116	116	184	16,969	92
MT	-	-	NA	-	-	NA	-	-	NA
SHI Analytics	19	815	43	-	-	NA	19	815	43
Total Salary	**957**	**$66,265**	**$69**	**102**	**$7,702**	**$76**	**1,059**	**$73,967**	**$70**
Assumed 14% Avg Benefits	957	9,277	10	102	1,078	11	1,059	10,355	10
Total Salary & Benefits	**957**	**$75,542**	**$79**	**102**	**$8,781**	**$86**	**1,059**	**$84,323**	**$80**

(1) SYW has identified 80 positions to be impacted in Israel

Projected key dates and anticipated milestones
~1,400 additional positions targeted in January for reduction

OCTOBER

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

NOVEMBER

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

DECEMBER

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

JANUARY

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Internal Date

Key Date

DATE(S)	EVENT
October 29	Commenced wave 1 of store closures (142 stores) ✓
October 30	Initial SG&A reduction by month due from businesses with by month pacing including any investment if applicable ✓
October 31	Finalize SG&A reduction plan along with names of any initial cuts to be done before Thanksgiving. HR to begin RIF process ✓
November 2	HR submission of impacted names to Legal for review ✓
November 8	Potential buyer to notify which stores to purchase. All other stores to commence closure process ✓
November 14 & 15	SG&A wave 1 employee notices ✓
November 15	Commenced wave 2 of store closures (40 stores) ✓
November 30	SG&A wave 2 names of cuts due to HR ✓
January 17	SG&A wave 2 reduction targeted to ~1,400 positions

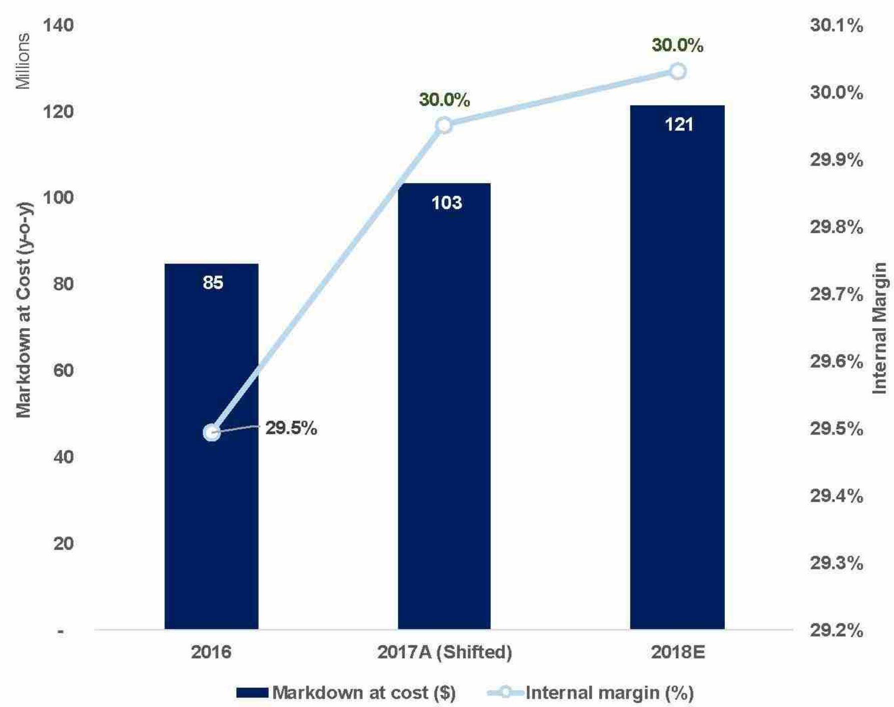
Assortment optimization will deliver $28MM in incremental EBITDA in FY2019 (and up to $67MM by 2021)

Key Objectives

Reduce the number of SKUs across the company	• Reduce inventory levels at end of the season
	• Optimize the fabric use through creation of a fabric library
	• Leverage distribution storage capacity
	• Negotiate better Free on Board ("FOB") costs with vendors
	  – Apparel and footwear divisions reduced their respective SKU numbers by 31% in 2018 and 33% in 2017
	  – 2019 SKU reduction is projected at 20%
	  – Reduced FOB by $110MM since end of 2016 by moving receipt from domestic to import and increasing sourcing mix of Bangladesh and India
	  – Reduced markdown liability by $120MM in 2018

Leverage Brands between Kmart and Sears formats	• Expand Jaclyn Smith to Sears stores → started this year • Expand Adam Levine to Sears → planning to be fully rolled out planned by end of 2018 • Simply Style moved from Sears to Kmart in Q3 • Plan to expand outdoor life to Kmart in early Q1
Develop competitor data scraping capabilities	• Leverage price opportunity by product category • Identify color, style gap earlier in the season

Year Over Year Markdown Improvement (Softlines)



Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	$5	$6	$4	$7	$7	$4	$6	$8	$7	$13	$14	$6	$86	$155	$210
(-) Required Incremental COGS	($3)	($4)	($2)	($4)	($4)	($2)	($4)	($5)	($4)	($8)	($8)	($4)	($52)	($93)	($126)
Gross Margin	**$2**	**$2**	**$2**	**$3**	**$3**	**$2**	**$2**	**$3**	**$3**	**$5**	**$6**	**$2**	**$34**	**$28**	**$50**
Operating Expense															
(-) Variable cost 8%	($0)	($0)	($0)	($1)	($1)	($0)	($0)	($1)	($1)	($1)	($1)	($0)	($7)	($12)	($17)
(-) Required Incremental Operating Expense	**($0)**	**($0)**	**($0)**	**($1)**	**($1)**	**($0)**	**($0)**	**($1)**	**($1)**	**($1)**	**($1)**	**($0)**	**($7)**	**($12)**	**($17)**
Initiative EBITDA	$2	$2	$1	$2	$2	$1	$2	$2	$2	$4	$5	$2	$28	$50	$67
Margin (%)	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*

In-stock & replenishment initiative will deliver $10MM in incremental EBITDA in FY2019 (and up to $22MM by 2021)

Key Objectives

Objective	• Continuously improve in-stocks while minimizing non-productive inventory • 95% in-stock goal by store & product vs ~92% currently • 52-week rolling forecast and refined planning algorithms
Initiatives	• Lost Sales Reduction: Lost sales improvement realized in both basic and seasonal areas through improved demand forecasting • Reduction of Aged Inventory: Aged inventory including inventory greater than 80 days ("GT80") will be reduced, specifically demand forecasting improvement and incremental single item replenishment exposure • Supply Chain Savings: Single item replenishment are balanced with the costs of picking vs replenishing size packs
Impacts	• Gains realized in basic replenishment and seasonal product • Basics split between two tracks to accommodate packaging and replenishment differences • Seasonal product focus will be on flowing product to maximize sales and minimize markdowns • Pack size optimization enhances size; improvements to assortment mix • EBITDA is compressed due to high distribution center costs from size pack to SIR (17% today) • Single apparel distribution center with pick and pack will reduce costs to 5%

Select 2018 Weekly In-stock Rates

Format	In-stock Type	Week	In-stock Rate
Apparel			
Kmart	Basics	3	94.9%
Sears	Basics	3	93.4%
Kmart	Basics	29	93.7%
Sears	Basics	29	92.2%
Kmart	Footwear	29	92.3%
Sears	Footwear	29	94.9%
Kmart	Spring / Summer	6	90.0%
Sears	Spring / Summer	6	96.1%
Footwear			
Kmart	Basics	3	78.9%
Sears	Basics	3	80.1%
Kmart	Basics	29	87.3%
Sears	Basics	29	86.7%
Kmart	Footwear	29	97.0%
Sears	Footwear	29	98.2%
Kmart	Spring / Summer	6	89.1%
Sears	Spring / Summer	6	98.2%

Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	$1	$1	$2	$3	$4	$3	$3	$4	$5	$7	$12	$3	$48	$64	$67
(-) Required Incremental COGS	($0)	($1)	($1)	($2)	($3)	($2)	($2)	($2)	($3)	($4)	($7)	($2)	($30)	($40)	($42)
Gross Margin	**$0**	**$0**	**$1**	**$1**	**$2**	**$1**	**$1**	**$1**	**$2**	**$3**	**$4**	**$1**	**$18**	**$42**	**$67**
Operating Expense															
(-) Initiative Support Cost	($0)	($0)	($0)	($1)	($1)	($0)	($0)	($1)	($1)	($1)	($2)	($0)	($8)	($3)	($3)
(-) Required Incremental Operating Expense	**($0)**	**($0)**	**($0)**	**($1)**	**($1)**	**($0)**	**($0)**	**($1)**	**($1)**	**($1)**	**($2)**	**($0)**	**($8)**	**($3)**	**($3)**
Initiative EBITDA	$0	$0	$0	$1	$1	$1	$1	$1	$1	$1	$2	$1	$10	$21	$22
Margin (%)	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*33%*	*21%*	*33%*	*33%*

Example: Apparel and Footwear have demonstrated a major turnaround over the past 18 months

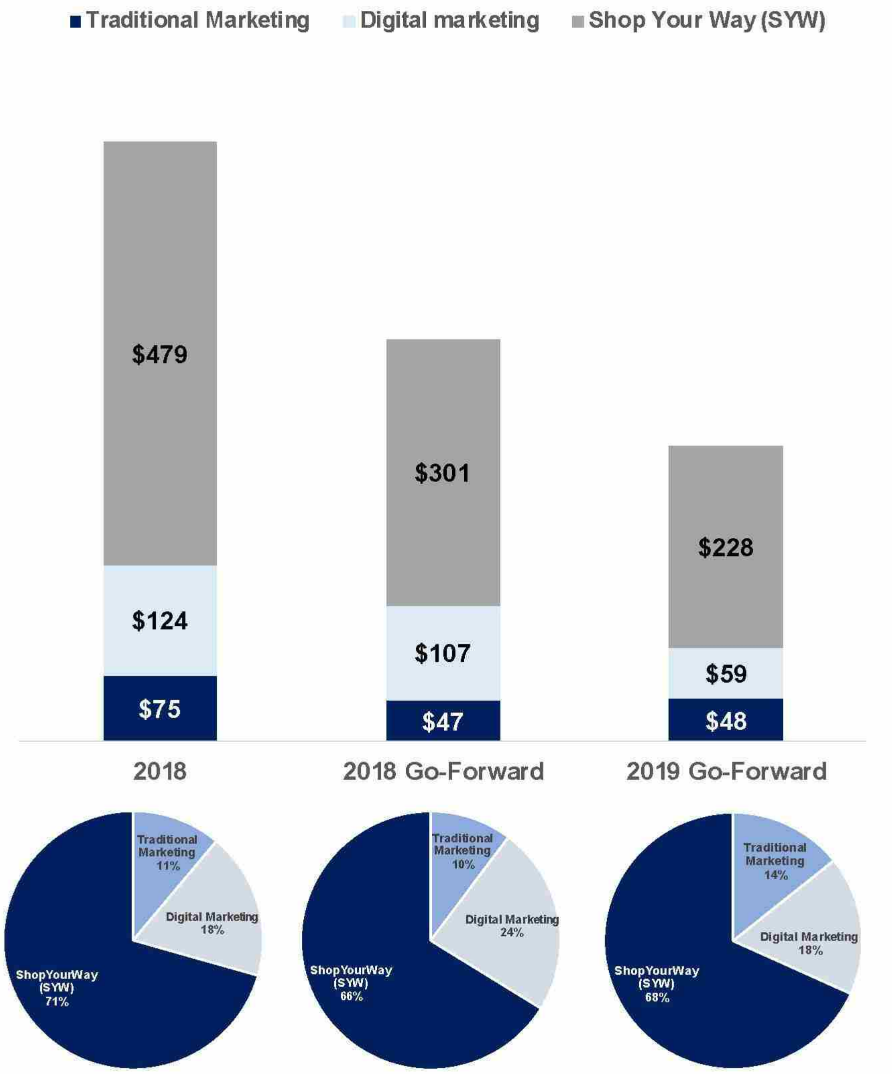
YTD Business Operating Profit Up $80MM vs. Adjusted LY and 2017 up $300MM Over 2016

- **Right size of the buy**
  - Discipline around seasonal buys; by category and by store
  - Sales plan target communicated to merchandising team ahead of the overseas buying trip
  - Simulation done by finance on expected in-season and post-season revenue and margin for each of the divisions and total business units
  - $64MM in lower markdowns vs. last year at the end of October
- **Assortment rationalization and brand consolidation**
  - Number of SKUs has been reduced by 31% in FW18 vs. FW17 and by 61% vs 2016
  - Brand consolidation or expansion since we merged buying teams serving both Sears and Kmart in July 2017
  - Jaclyn Smith brand at Kmart rolled out to Sears
  - Key sellers rolled out into both formats (Basic Edition from Kmart into Sears)
- **Product cost savings**
  - $12MM FOB savings in 2018 on top of $80MM in 2017 as a result of moving from domestic to import vendors
  - Receipts moved from 30% import to 60% vs. domestic from 2016 to 2018
  - Built cross-sourcing capabilities, including vendor's direct design
- **Execution excellence**
  - Implemented forecast by product and store by week since 2017
  - Put in place drilled-down reporting capabilities by key demographic, store, product, and day to identify exceptions and drive replenishment actions and inform allocation
  - Weekly trading meeting focused on immediate actions based on last week's results including members, store, pricing, inventory, and sourcing metrics
  - Implemented competitor data tool in order to identify assortment gap and pricing opportunities

[DRAFT – Subject to Review]

Marketing spend to be reduced by ~30%; emphasis will be on ROI

Marketing Spend by Category



Planned Drop in Total Marketing Spend

($ in MM)		Go Forward Strategy		2019 versus 2018[2]		
	2018	2018	2019	Reduction in Spend	Incr. GM Impact[5]	Impact to EBITDA
Traditional marketing	$75	$47	$48	($1)	$16	$15
Digital marketing	124	107	59	$49	($32)	$17
ShopYourWay (SYW)	479	301	228	$73	$0	$73
Total marketing spend	$679	$455	$335	$121	($16)	$105
Growth Y-o-Y (%)	*NM*	*(33%)*	*(26%)*			
Marketing / sales (%)	*8%*	*8%*	*6%*			

Marketing spend is planned to drop both on a dollar basis and as a percentage of sales, however, the marketing budget will be re-balanced with a stronger emphasis and focus on improving ROI

Cost Allocation Process (2019 Go-Forward)[1,3]

Traditional Marketing →	$48MM (100%) booked to stores
Digital Marketing →	$59MM (100%) booked to stores[4]
ShopYourWay (SYW) →	$228MM (100%) booked to cost of goods sold

(1) Go-forward refers to remaining 505 stores
(2) Comparison versus 2018 estimates based on go-forward store count
(3) Allocated dollar amount determined by corresponding percentage times planned annual spend; differences may arise due to rounding
(4) Historically, ~40% of digital marketing spend was booked to Stores, while ~60% was booked to SG&A
(5) Refers to "Incremental Gross Margin Impact" which includes the impact to both sales and COGS

[DRAFT – Subject to Review]

Traditional marketing refocuses on high impact ROI spend to drive profitability

Key Objectives

Objective	• Align and synergize most effective marketing channels directed to value enhancing categories
Initiatives	• Utilize "always on" strategy for broadcast/online video to improve lagging unaided consideration scores for hardlines • Launch brand equity messaging prior to key promotional selling periods • Focus all media buys to go forward store locations • Over invest in peak opportunities and scale back in lower demand periods to maximize impact while managing spend
Impacts	• Higher conversion of shoppers aware of Sears hardlines will lead to improved performance of lower funnel marketing messaging • Improved ROI driven by improving consideration, matching the channel to the business and marketing in proximity of the store locations • As of January 2017, Sears' Aided Awareness score was 90% • Stronger brand equity messaging plus improved efficiencies are expected to drive higher conversion rate from Awareness to Consideration by +0.8% • Holding the conversion rate from "Consideration to Shopping" and "Shopping to Purchase" will result in a 40 basis point purchase improvement – a modest improvement in comparison to the higher conversion rate of Sears' competitors • Purchase score improvement of 0.4 points equates incremental revenue of $56MM or 1.4%

Impact from Marketing Efforts to Select KPIs(1)

	Current	*Change*	2019
Aided Awareness	90		90
Conversion	58%	*80 bps*	59%
Aided Consideration	52.2	*0.7*	52.9
Conversion	60%		60%
Shopping (6 mo. Period)	31.3	*0.4*	31.7
Conversion	84%		84%
Purchase (6 mo. Period)	26.3	*0.4*	26.7
Incremental Sales Impact		*140 bps*	

Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	$4	$5	$4	$5	$6	$4	$4	$5	$4	$6	$8	$3	$56	$56	$56
(-) Required Incremental COGS	($3)	($3)	($3)	($3)	($4)	($3)	($3)	($3)	($3)	($4)	($5)	($2)	($40)	($40)	($40)
Gross Margin	**$1**	**$1**	**$1**	**$1**	**$2**	**$1**	**$1**	**$1**	**$1**	**$2**	**$2**	**$1**	**$16**	**$16**	**$16**
Operating Expense															
(-) Traditional Marketing	($2)	$2	$1	($1)	($0)	($0)	$1	$3	$0	($2)	($3)	($1)	($1)	($1)	($1)
(-) Required Incremental Operating Expense	**($2)**	**$2**	**$1**	**($1)**	**($0)**	**($0)**	**$1**	**$3**	**$0**	**($2)**	**($3)**	**($1)**	**($1)**	**($1)**	**($1)**
Initiative EBITDA	($0)	$3	$2	$0	$1	$1	$2	$4	$1	$0	($1)	$0	$15	$15	$15
Margin (%)	*(12%)*	*64%*	*65%*	*1%*	*25%*	*21%*	*49%*	*88%*	*37%*	*2%*	*(9%)*	*6%*	*26%*	*26%*	*26%*

(1) Data source from Ipsos ASI Marcom Tracker; key performance indicators ("KPIs") are scored based on participant responses from surveys / polls (out of 100)

[DRAFT – Subject to Review]

Traditional marketing transitioning to cohesive company strategy vs. individual business unit approach

2018 Traditional Marketing Strategy: Traffic and Conversion Improvement

2018	2019
Separate TV campaigns for mattress and home appliances for national holidays. Not synergistic, did not build the Sears/Kmart brands ▪ 30" Home Appliance spot was 60% more effective than a 15" spot but the cost was 100% more reducing the ROI	Portfolio campaigns will achieve efficiencies – delivering a more holistic message on promotional offers and build the brands ▪ Portfolio campaign of mattresses, appliances, and home services costs partially offset by vendor funding will improve ROI
Marketing support 'on-and-off' throughout the year driven by peaks and troughs of events, seasons and BU priorities	Deploy an 'always-on' support plan focused on TV for Home Appliances supported by other various media channels ▪ Provide seasonal support (e.g. spring apparel, outdoor living in May/June)
2 FSI's (vendor funded) + a circular for each national holiday ▪ Pure transactional messaging, no Sears/Kmart brand building Circulars deployed during national holiday events supporting big ticket products (focus on home appliances) ▪ Presidents Day, Black Friday, etc.	Deploy circular strategy during high traffic periods to draw high frequency shoppers in apparel and adjacency categories ▪ Transactional offers underpinned by Sears/Kmart brand sentiment message ▪ Use vendor funds as contribution to a holistic circular
Kmart media was earmarked but was reduced during the year	For Kmart, support high traffic periods with broadcast media which have historically delivered high ROI
Did not monetize marketing assets by seeking sponsor funding from vendors, service providers and 3rd parties ▪ Did not treat marketing collateral as a valuable marketing channel to monetize	Dedicate a focused effort framing-up a value proposition as rationale for vendor funding ▪ Featured products in circulars, coupon drops in e-commerce boxes etc.

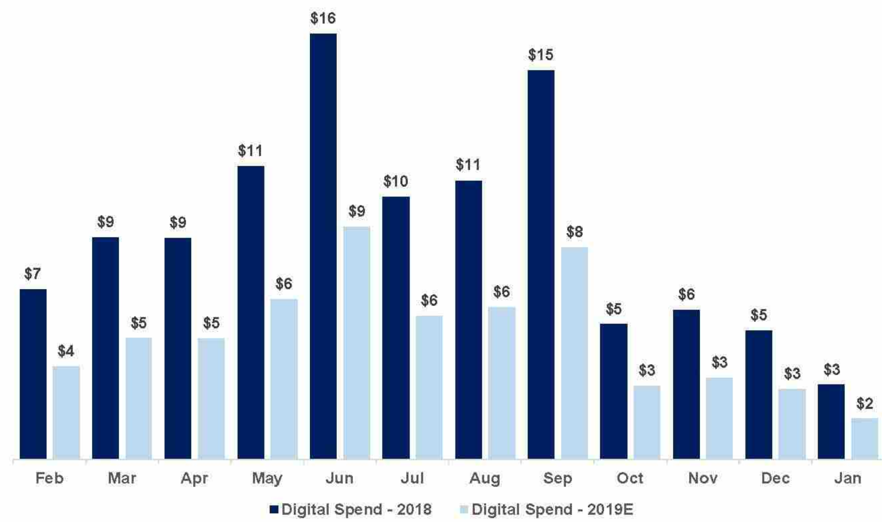
In 2019 all elements of the marketing mix will be connected by a cohesive brand strategy to build brand sentiment for Sears and Kmart vs. in 2018 marketing was fragmented by being conducted at a business unit level

Digital marketing drives profitability by eliminating low ROI spend

Key Objectives

Objective	• Increase incremental revenue generated from our paid digital channels while increasing efficiency and improving ROI • Develop a consistent operating focus on visits, conversion rate, and average order value
Initiatives	• Take a greater omnichannel approach to concentrate on personalization, maximizing efficiency, and channel diversification to drive incremental revenue and drive return on investment • Use automation, audience implementation, attribution to optimize spend efficiency, and diversification of revenue streams with additional partners to drive incremental revenue and margin • Identify the most critical drop-offs in the online conversion funnel and deliver simplified experiences that reduce friction and increase conversion rate • Battle the increased costs associated with digital marketing along with declining web traffic by leveraging search engine optimization ("SEO") which aims to improve traffic by deploying optimized metadata, structural fixes and content enhancements targeted to Sears' best categories
Impacts	• Spend on digital marketing will be filtered based an ROI threshold, which should cause a slight decline in revenue that will be more than offset by savings in marketing expense

Planned Monthly Digital Marketing Spend



Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	($11)	($15)	($15)	($20)	($29)	($18)	($19)	($26)	($9)	($10)	($9)	($5)	($184)	($184)	($184)
(-) Required Incremental COGS	$9	$12	$12	$16	$24	$15	$16	$22	$7	$8	$7	$4	$153	$153	$153
Gross Margin	**($2)**	**($3)**	**($3)**	**($3)**	**($5)**	**($3)**	**($3)**	**($4)**	**($2)**	**($2)**	**($1)**	**($1)**	**($31)**	**($31)**	**($31)**
Operating Expense															
(-) Digital Marketing	$3	$4	$4	$5	$7	$5	$5	$7	$2	$3	$2	$1	$48	$48	$48
(-) Required Incremental Operating Expense	**$3**	**$4**	**$4**	**$5**	**$7**	**$5**	**$5**	**$7**	**$2**	**$3**	**$2**	**$1**	**$48**	**$48**	**$48**
Initiative EBITDA	$1	$1	$1	$2	$3	$2	$2	$2	$1	$1	$1	$0	$17	$17	$17
Margin (%)	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*

Digital marketing utilizes data-driven strategy to increase efficiency

2018 Digital Marketing Strategy: ROI Improvement

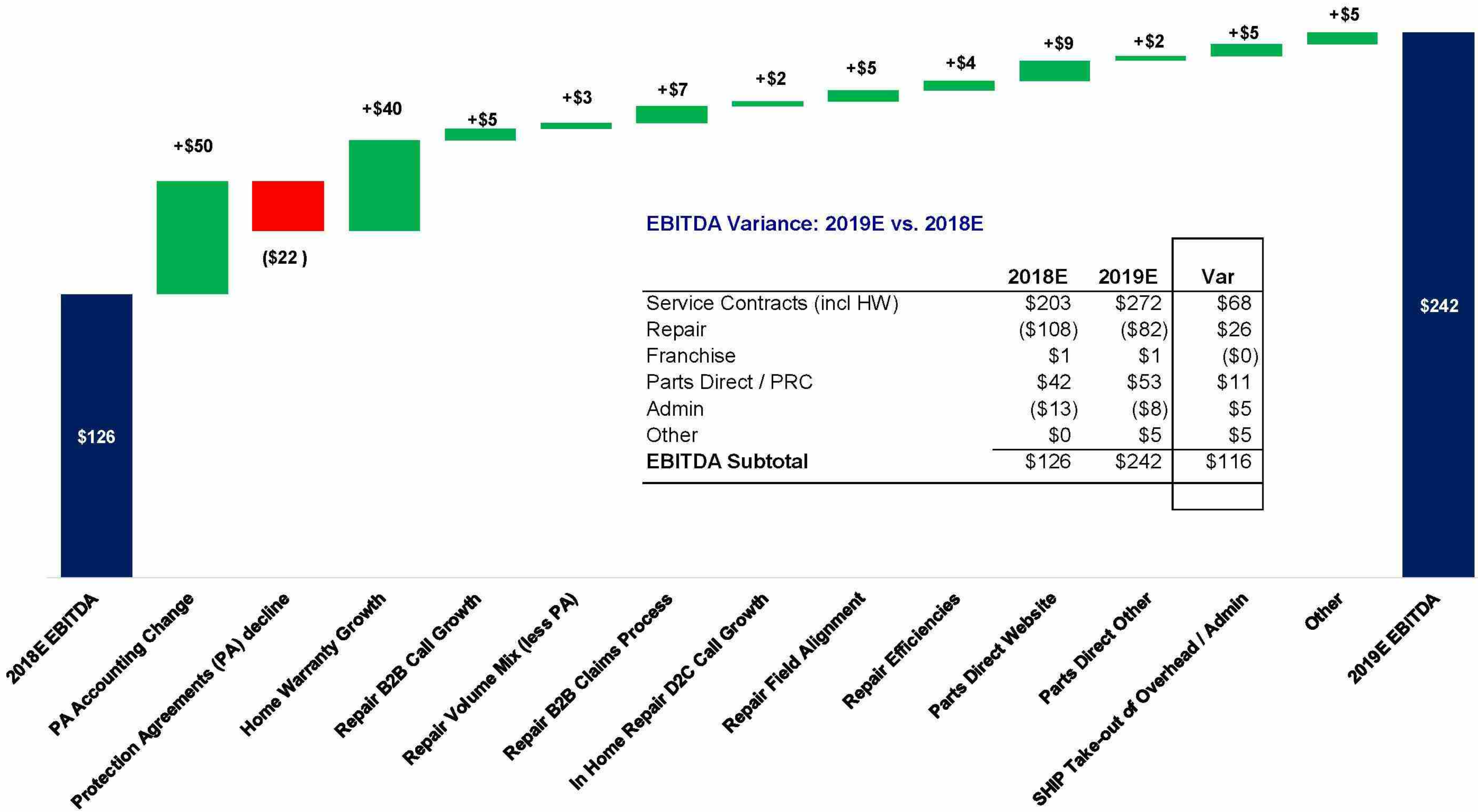
2018	2019
Target users nationally making small bid adjustments regionally based on Return on adjusted spend ("ROAS")	Target users by designated market area ("DMA"), making aggressive bid adjustments based on ROAS by DMA and zip code
Point all users from all channels to the desktop and mobile websites	Point users from channels to customized landing pages built specifically for that channel and by device
Affiliates - track users who come to the desktop site or mobile site	Affiliates - implement app to app tracking with publishers to diversify methods of publishing deals and acquire better data insight to improve personalization targeting
Focus on individual business units and the top keywords and products within each	Focus on top keywords and products regardless of business unit
ShopYourWay, Google and Microsoft audience implementation accounts for 31% of total clicks for paid search and data-feeds	Increase ShopYourWay, Google and Microsoft audience implementation to account for 50% of total clicks for paid search and data-feeds
Average Cost Per Click continues to increase across Google, Bing and Yahoo	Integrate new search platforms with a much lower average cost per click to bring down spend and increase ROAS
Social – integrated with Facebook, Twitter, Pinterest, Instagram, etc. to communicate with members	Social - integrate more deeply with current and new vendors to expand how we reach members. Implement greater targeted communications with members and test new strategies/tactics to improve conversion
Target users nationally making small bid adjustments regionally based on ROAS	Target users by DMA making aggressive bid adjustments based on ROAS by DMA and zip code
$124MM Spend with 0% ROI	**$59MM Spend with 30% ROI**

6

[DRAFT – Subject to Review]

Key initiatives and partnerships at Sears Home Services will drive significant EBITDA growth in FY2019

2019E EBITDA Bridge



EBITDA Variance: 2019E vs. 2018E

	2018E	2019E	Var
Service Contracts (incl HW)	$203	$272	$68
Repair	($108)	($82)	$26
Franchise	$1	$1	($0)
Parts Direct / PRC	$42	$53	$11
Admin	($13)	($8)	$5
Other	$0	$5	$5
EBITDA Subtotal	$126	$242	$116

Sears Home Services: Service Contracts

Protection Agreements

- SHC signed an agreement with Assurant on November 19th to provide underwriting for all go-forward protection agreements
  - Assurant provided best overall economics, three year term, lowest upfront reserve payment, and additional B2B service volume
- New agreement results in an EBITDA increase of ~$50 million in 2019 due to accounting change
  - Year one (one-time) 3x per policy profit improvement to Sears Home Services driven by immediate revenue recognition (i.e. pull-forward of profit)
  - $20 per policy profit increase assuming 2.5MM new and renewed policies → $50MM in EBITDA benefit
- Cost savings due to reduction of lower value leads by using a 3rd party underwriter resulting in an improved cost-to-sales ratio

Impact from Revenue Recognition (per Policy)

EBITDA Timing

Year:	1	2	3	4	5	6	Total
Assurant Underwritten	$29	$0	$0	$0	$0	$0	$29
Sears Underwritten	9	13	7	3	2	1	34
Variance	$20	($13)	($7)	($3)	($2)	($1)	($5)

Illustrative Economics (per Policy)

Assurant Underwritten vs. Sears Underwritten

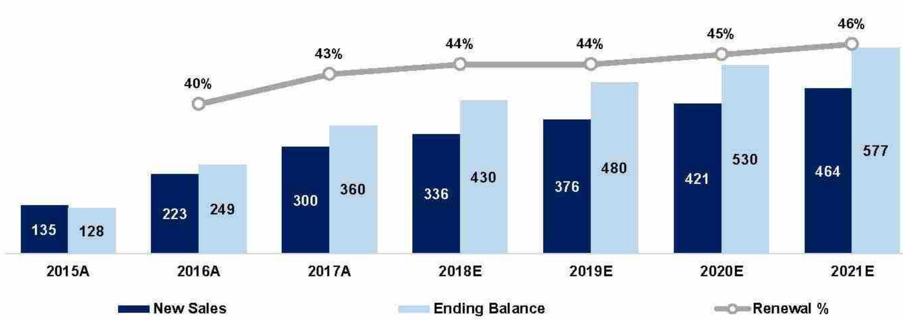
	Assurant Underwritten	Sears Underwritten	Variance
Blended average	$ 170	$ 170	-
SHS EBITDA %	17%	20%	(3%)
EBITDA / policy	$ 29	$ 34	$ (5)

Slightly lower economics, but better upfront EBITDA

Home Warranty

- Continued growth in Home Warranty should deliver ~$40MM of EBITDA; partially offsets decline in protection agreements
- D2C channel enrollments expected to increase ~5% year-over-year based on overall improvements to the paid repair business; this is a primary channel for home warranty sales
- Integrating Sears Home Warranty promotional offer into the SHS.com repair scheduling experience
  - Promotional offer currently only available on the phone or in the home
  - This represents a new channel for sales in 2019
- Improved phone agent and tech sales anticipated through performance management and launch of refreshed coaching tools
- Underwriting provided by Cross Country Home Warranty

Home Warranty by Year ($ in 000s)



In-Home Repair Improvements: Business to Business (B2B)

Commentary

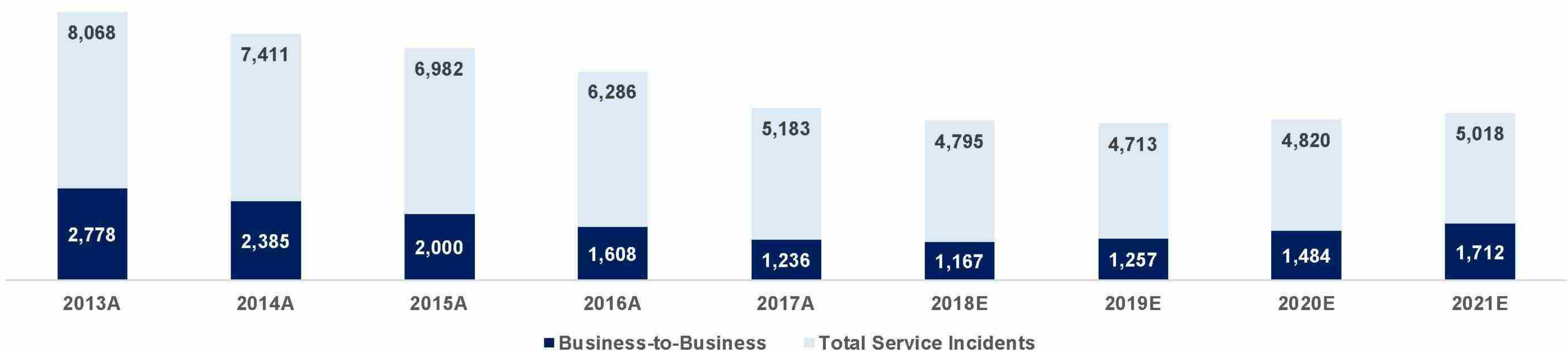
Volume increases

- Business-to-Business (B2B) volume assumption in 2019 results in 10.3% market share of industry service volume, up from 8.1%
- ~20% below the traditional B2B volumes in 2016 and a 27% growth over 2018
- Win back B2B partners by reducing rates where we were priced out of the market
- Business-to-Business creates over the last four weeks were up 56% versus the same period last year – up 7% over the four weeks prepetition
- Increased calls due to improved service levels resulting from continued technician investment and improved margins through pricing and marketing optimization effort

Efficiency Improvements

- Revenue optimization through re-engineering of B2B claims collections process expected to drive ~$7MM improvement
- Attrition improvements from company stabilization post bankruptcy emergence
- Currently running ~35% compared to historical average of closer to 25%
- Field realignment to increase span of control resulting in lower indirect field costs of ~$5MM annually
- Reducing 1099 reliability for preventive maintenance checks to help lower direct labor costs
- Improved service levels - improved response time, more efficient marketing, call center proficiency, and improvements to the web channel tools

Business-to-Business Service Incidents versus Total Service Incidents by Year



Note: 2018 estimate based on pre-filing trend rates

In-Home Repair Improvements: Direct to Consumer (D2C)

Commentary

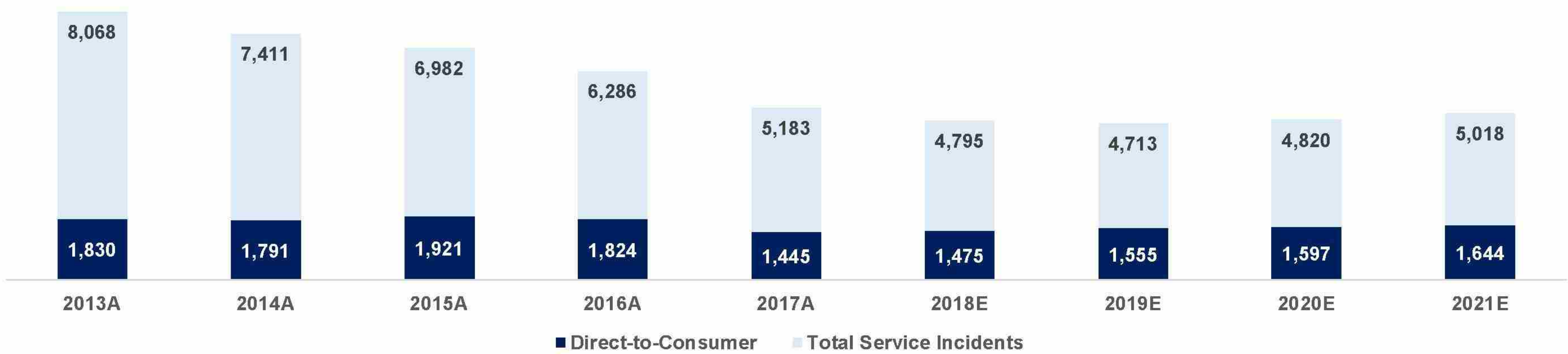
Volume increases

- Direct to Consumer (D2C) service volume assumption in 2019 moves us from 9.2% market share of 16M Total Addressable Market of service calls, to 9.7%
  - Still 15% below our 2016 volume and only 5% growth over 2018
- Tactics for success will be optimized and local SEM, in addition, TV advertising at SHC that will include elements of In-Home Repair awareness
- Prior to filing, YTD Direct-to-Customer (D2C) creates were only down 5% year-over-year and had actually been trending better than prior year in the 4 weeks leading up to the filing

Efficiency Improvements

- Attrition improvements from company stabilization post bankruptcy emergence
- Currently running ~35% compared to historical average of closer to 25%
- Field realignment to increase span of control resulting in lower indirect field costs of ~$5MM annually
- Reducing 1099 reliability for Preventive Maintenance checks to help lower direct labor costs
- Improved service levels - improved response time, more efficient marketing, call center proficiency, and improvements to the web channel tools

Direct-to-Consumer Service Incidents versus Total Service Incidents by Year



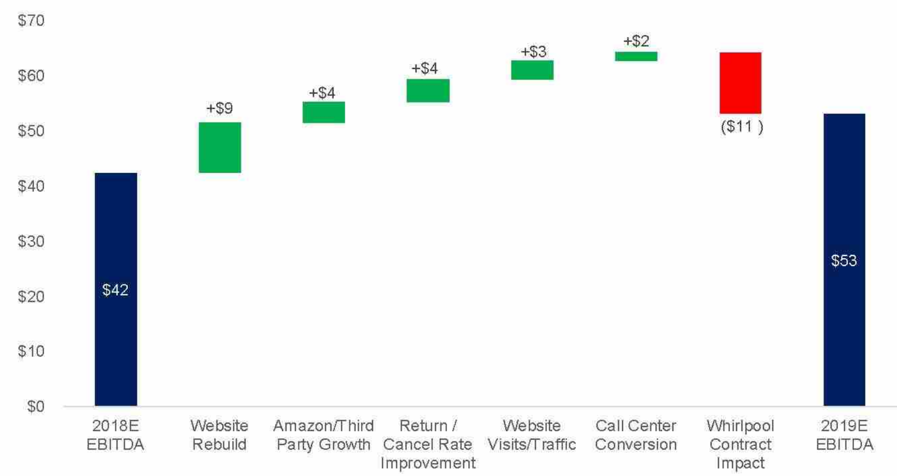
Note: 2018 estimate based on pre-filing trend rates

PartsDirect improvements

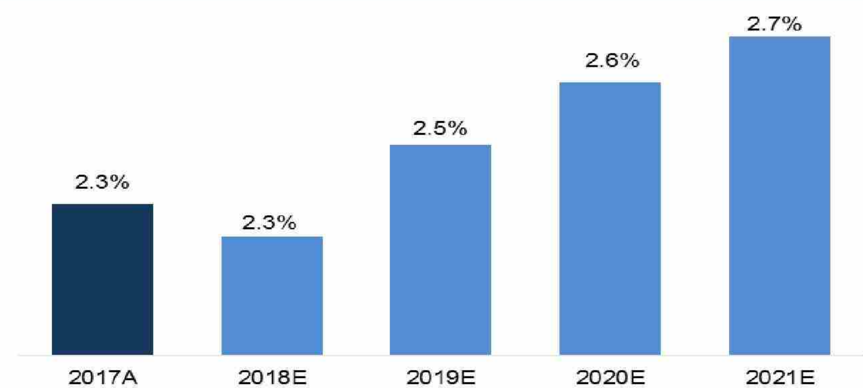
PartsDirect Planned to Sustain EBITDA Level on a YoY Basis

Offset	Description
Supplier parts cost increases offset with improvements listed below	
SPD.com website rebuild (completion April 2019)	▪ Improvements to website performance will drive higher customer conversion and total revenue ▪ Enhanced experience for customers by providing unexpected value added solutions that should increase order size ▪ Designed to easily support new branding opportunities
Third Party Sales	▪ Fulfillment by Amazon replenishment automation ▪ Seller Fulfilled Prime enabled in all Home Services parts distribution centers ▪ Increase catalog through direct drop shipments ▪ Addition of parts sales on GoogleXpress marketplace ▪ Increase product assortment sold by DIY Repair brand
Pricing optimization	▪ Leverage competitive scrapes from "Feedonomics" for improved market view ▪ Supplement with new tools
Reduced care contacts (contacts per sale)	▪ Expedite and priority shipments moved from vendors to Home Services parts distribution centers ▪ Parts supply chain flow returns to normal
Improved call center conversion	▪ New and improved sales call flow embedded into new hire training ▪ Continued integration of six sources of behavioral influence to support vital behaviors
Marketing effectiveness	▪ SEM vs SEO optimization

2019 PartsDirect EBITDA Bridge



Annual Conversion Rates



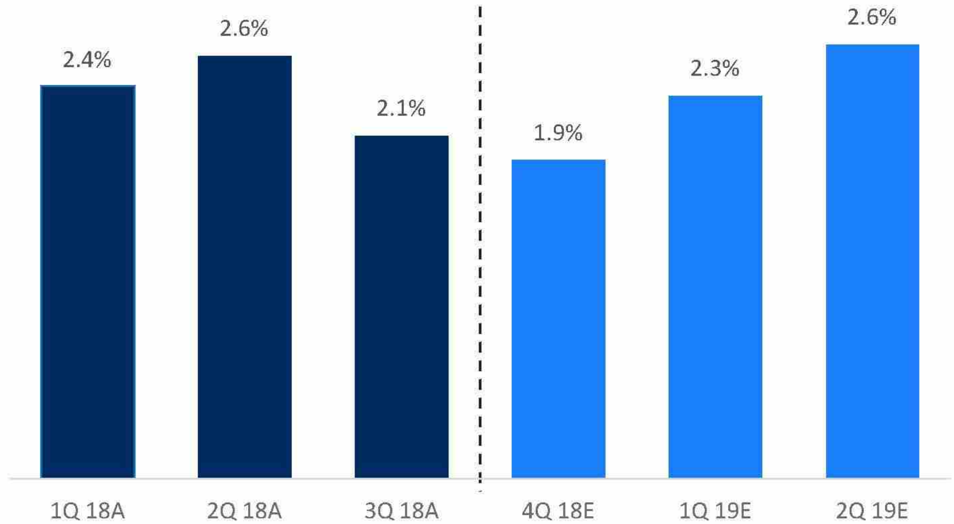
Website rebuild driving conversion

Enhanced Capabilities

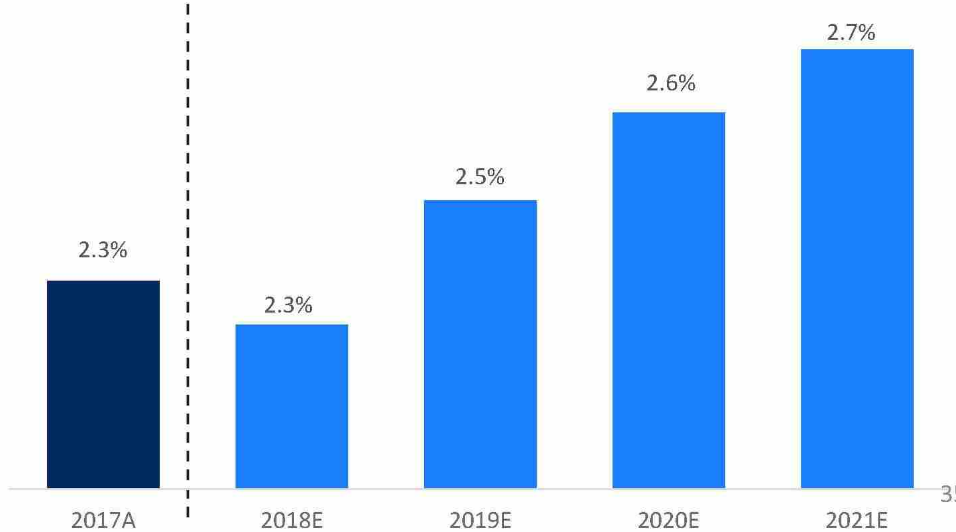
- Strategic Pillars
  - Improved search tool to allow customers to quickly find and order the correct part, which will lead to an increased conversion rate
  - Enhanced experience for customers by providing unexpected value added solutions that should increase order size
  - Provides consistent customer experience across device platforms
  - Designed to easily support new branding opportunities
  - Showcase SPD's ability to provide expert advice
- Improvements to website architecture will lower page load times and will directly correlate to increased conversions
- Simplified search tool to allow user to quickly find the model, part and repair content provided by Do It Yourself ("DIY") experts and emerging DIYers
- Customer preferences (i.e., purchase history and frequent purchases) are stored to allow for easy reorders and one click checkout
  - Logged in customers convert 18% vs 2% guest
- Leverage data to guarantee the part fits, highlight most common problems and which parts are used to fix the problem
- Accepts additional payment types
- Responsive design to support mobile device users
- Allows for mobile users to take a picture of the model number on their product to quickly initiate their search for the correct part or content
- Execution
  - Scaled agile framework
  - Total anticipated time of completion is 40 weeks (with first sprint started in June 2018)

Conversion Over Time

Quarterly (3Q'17A – 2Q'19E)



Annual (2017A – 2021E)



IV. Our Go-Forward Growth Initiatives

[DRAFT – Subject to Review]

Small footprint store upside represents a large opportunity to outperform the base 2019 plan (not included; will require capital investment)

Business Overview

- Targeting 100 locations by the end of 2020
- Store size: 7,500 to 20,000 sq/f (leased)
- Local personalized shopping experience benefiting the community through the Sears and ShopYourWay ecosystem
- Products & services tailored to the community:
  - Home appliances
  - Home services (protection, repair, parts, home improvement)
  - Connected solutions (IoT products)
  - Financing options for every member
    - ShopYourWay 5-3-2-1 card
    - Leasing
    - Layaway
  - ShopYourWay products and services
  - Mattresses
  - Other community relevant products when space permits and based on local demographics and needs (seasonal product, tools, fitness, etc.)
- Highly trained consultative experts that focus on helping customers with in-home support
- Large purchases and home solutions
- In-home support and consultation
- Unlimited service opportunities and solutions

Financial Summary (2018E)

(4 Operating Stores)

Proof of Concept

($ in 000s)	2018F
Sales	$ 23,882
Gross Margin	7,435
GM %	*31%*
Operating Expenses	5,557
EBITDA	1,878
EBITDA %	*8%*
EBITDAR	3,065
EBITDAR %	*13%*
IRR	36%
Payback	3.75 yrs

* Assumes $475k for corporate home office expenses

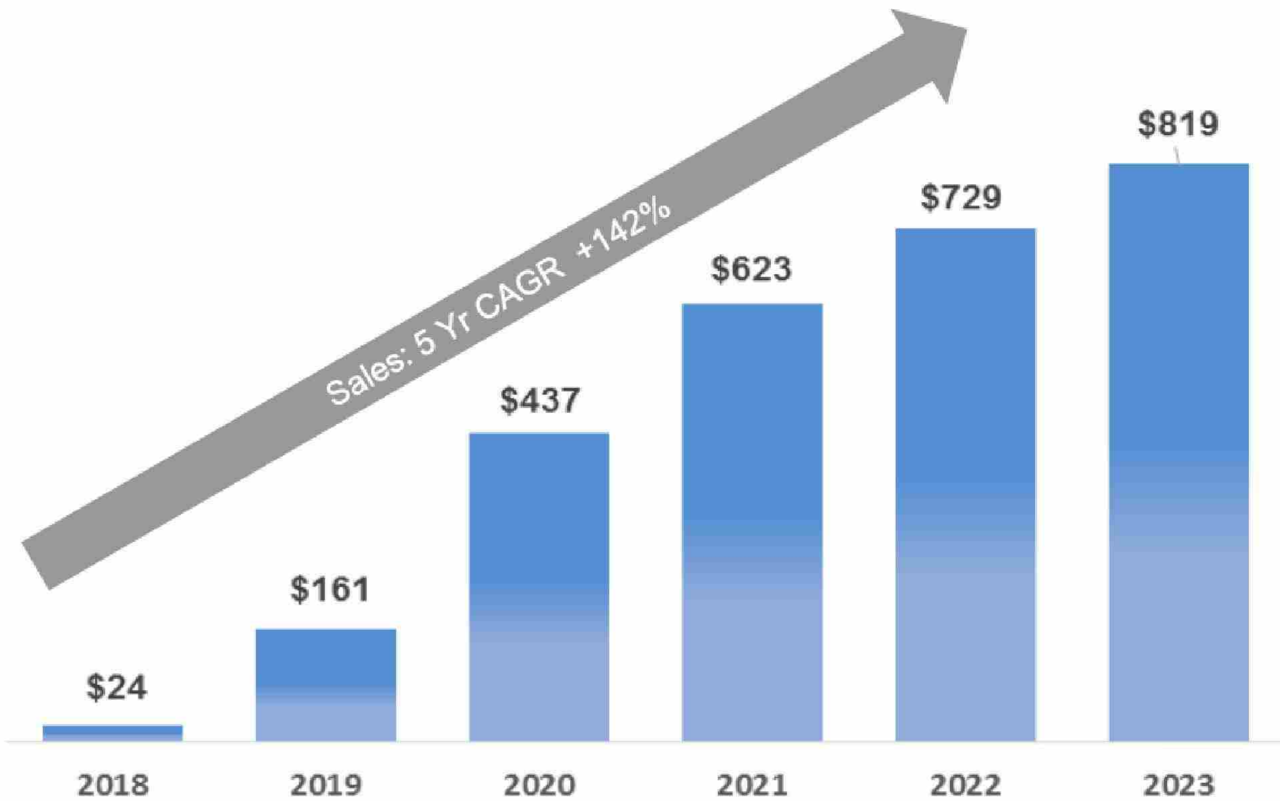
Description	Store Economics
Gross SF	7,500 to 20,000
Selling SF	6,750 to 18,000
Annualized Sales	$4M - $8M
Sales per/GSF	*$400 - $500*
EBITDA $	$.4m - $1.0m
EBITDA %	*~8%*
EBITDAR $	$.6m - $1.4m
EBITDAR %	*~13%*
Capital Investment	$1.4m - $1.8m
IRR	30% -60%
Payback	3 - 4 yrs

[DRAFT – Subject to Review]

7

Opening small footprint stores represents a major growth opportunity

Small Store Scale Opportunity



	2018	2019	2020	2021	2022	2023	
Stores	4	40	56	20	18	16	154
Capital Investment *	$6M	$64M	$90M	$32M	$29M	$25M	$246M

*excludes working capital (inventory, etc.)

With a payback period of 3 – 4 years, small footprint stores have a high IRR and can scale quickly

Financial Summary

	2018	2019	2020	2021	2022	2023	Total	
($ in 000s)	$	$	$	$	$	$	$	% Sales
Store Count:	4	44	100	120	138	154	154	
Net Sales	$23,882	$160,536	$437,323	$622,770	$729,333	$819,289	$2,793,134	
Gross Margin	**$7,435**	**$51,895**	**$141,368**	**$201,316**	**$235,763**	**$264,842**	**$902,619**	32.3%
Fixed Payroll Expense	$526	$3,815	$10,393	$14,801	$17,333	$19,471	$66,339	2.4%
Variable Payroll Expense	$1,349	$9,782	$26,647	$37,947	$44,440	$49,922	$170,087	6.1%
Corporate Overhead	$478	$3,211	$8,746	$12,455	$14,587	$16,386	$55,863	2.0%
Other Expenses	$2,016	$14,620	$39,826	$56,714	$66,418	$74,610	$254,204	9.1%
Expenses (Excl Rent, Depr)	**$4,370**	**$31,427**	**$85,613**	**$121,917**	**$142,778**	**$160,388**	**$546,493**	19.6%
Rent, CAM & Tax	$1,187	$7,028	$19,145	$27,263	$31,929	$35,867	$122,418	4.4%
Per Square Foot	20	20	20	20	20	20	20	
EBITDA	**$1,879**	**$13,439**	**$36,611**	**$52,136**	**$61,056**	**$68,587**	**$233,708**	8.4%
EBITDAR	**$3,065**	**$20,467**	**$55,756**	**$79,399**	**$92,985**	**$104,454**	**$356,126**	12.8%
Store Capital	$ 6,400	$ 64,000	$ 89,600	$ 32,000	$ 28,800	$ 25,600	$ 246,400	
Depreciation	$ 200	$ 1,800	$ 6,200	$ 10,200	$ 11,700	$ 12,500	$ 42,600	

Online Growth Initiatives: Personalization with Machine Learning

Key Objectives

Objective	• Enhance personalization capabilities beyond isolated widgets and dynamic components • Develop an integrated approach that optimizes one-to-one interactions with members through advanced analytics and machine learning
Initiatives	• Maximize current capabilities with product recommendation engines, personalized notifications, personalized promotional messaging, and personalized marketing strategies • Enhance the data foundation to implement a data discovery and learning system that tracks, analyzes, and learns from member behavior across all touch points • Develop a structured library of available offer constructs, creative assets, and promotional messaging to deliver in real time • Implement a decision engine with machine learning that matches members with specific products, messages, offers, and creative based on individualized behavioral signals • Distribute integrated personalized experiences across all touch points
Impacts	• Personalization improvements to conversion seen over a 10 month period reaching an 8% improvement in conversion by the end of 2019(1) • Customer conversion increases from 2.0% to 2.3%, driving increased revenue on existing customer visits • Given efficacy in driving volume through the site, management has determined that focusing in improved conversion represents the best path to increasing online sales • The financial impact of this growth initiative requires additional investment beyond the base plan

Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	–	–	–	–	$3	$2	$3	$4	$3	$9	$8	$4	$36	$134	$188
(-) Required Incremental COGS	–	–	–	–	($3)	($2)	($2)	($3)	($2)	($6)	($6)	($3)	($27)	($100)	($141)
Gross Margin	**–**	**–**	**–**	**–**	**$1**	**$1**	**$1**	**$1**	**$1**	**$2**	**$2**	**$1**	**$9**	**$33**	**$47**
Operating Expense															
(-) Tech. headcount/ contractors (15, 10 SHI, 5 SHC)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($1)	($1)	($1)
(-) Product Mgmt headcount / contractors (1 SHC)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)
(-) Required Incremental Operating Expense	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($1)**	**($1)**	**($1)**
Initiative EBITDA	($0)	($0)	($0)	($0)	$1	$0	$1	$1	$1	$2	$2	$1	$8	$33	$46
Margin (%)	*NA*	*NA*	*NA*	*NA*	*23%*	*21%*	*23%*	*23%*	*22%*	*24%*	*24%*	*23%*	*22%*	*24%*	*25%*

(1) Based on industry average achieved conversion improvements when implementing personalization capabilities

[DRAFT – Subject to Review]

Online Growth Initiatives: Redesign Experience for Best Categories

Key Objectives

Objective	• Re-design site experience and functionality to deliver a Best-in-Class User Experience for Appliances, Apparel, and other key categories
Initiatives	• Implement user-centric design practices to redesign product finding, research, and buying experience and deliver an immersive experience that instills confidence in considered purchases • Reduce friction and focus on surfacing the most relevant information • Update visual design with more engaging photography • Focus on innovation, design, and industry trends with less emphasis on price and promo • Implement responsive design to optimize mobile and desktop experience to increase mobile conversion
Impacts	• Experience redesign drives improved conversion rates, ramping to a 10% conversion improvement by November 2020 • The launch of the experience redesign would require 6 months of increased headcount prior to providing projected revenue improvements • The improved customer experience would increase customer conversion from 2.0% to 2.4%, driving increased revenue on existing customer visits • The improvement to customer experience would require additional ramp time vs. other initiatives as the improved experience also has the added additional benefit of improving brand equity • The financial impact of this growth initiative requires additional investment beyond the base plan

Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	–	–	–	–	$3	$2	$3	$5	$2	$8	$7	$5	$35	$158	$177
(-) Required Incremental COGS	–	–	–	–	($3)	($2)	($2)	($4)	($2)	($6)	($5)	($4)	($26)	($118)	($133)
Gross Margin	**–**	**–**	**–**	**–**	**$1**	**$1**	**$1**	**$1**	**$1**	**$2**	**$2**	**$1**	**$9**	**$39**	**$44**
Operating Expense															
(-) Tech. headcount/ contractors (15, 10 SHI, 5 SHC)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($1)	($1)	($1)
(-) Product Mgmt headcount / contractors (1 SHC)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)
(-) Required Incremental Operating Expense	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($1)**	**($1)**	**($1)**
Initiative EBITDA	($0)	($0)	($0)	($0)	$1	$0	$1	$1	$1	$2	$2	$1	$8	$39	$43
Margin (%)	*NA*	*NA*	*NA*	*NA*	*23%*	*21%*	*23%*	*23%*	*22%*	*24%*	*24%*	*23%*	*22%*	*24%*	*24%*

[DRAFT – Subject to Review]

Online Growth Initiatives: Grow Sears Marketplace

Key Objectives

Objective

- Drive Marketplace growth by integrating Marketplace into the core online business strategy and integrated retail capabilities Members will have broader selection, increased convenience and fewer reasons to buy elsewhere

Initiatives

- Drive Marketplace of Marketplaces Model – Maximize eBay on Sears Marketplace, launch new marketplaces including Etsy, Groupon, Rakuten, etc.
- Focus on Auto Category – Launch Carvana (used car marketplace), expand selection of auto parts and services
- Launch integrated retail experience to enable Buy Online Pickup In-store
- Expand into new categories and fill assortment gaps with asset light model

Impacts

- The projected impact of the Sears Marketplace can be broken into four primary drivers:
- eBay – Improving eBay conversion via emphasis on the channel presents a $176MM sales opportunity in 2019 (2.1% conversion), growing to a $360MM sales opportunity in 2021 (3.4% conversion)
- Leasing, PA and Points – Drive a go-forward revenue opportunity of $13MM per annum
- Other Partnerships – Cultivation of the other partnerships present an opportunity to grow Other Partnership revenue from $16MM in 2019E to $50MM in 2021E
- New Category – Expanding into new categories represents an opportunity to add $6MM of revenue in 2019E growing to $24MM in 2021E
- The financial impact of this growth initiative requires additional investment beyond the base plan

Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New GMV	$14	$18	$14	$17	$22	$15	$17	$20	$12	$23	$22	$17	$211	$329	$447
(-) Required Incremental COGS	($14)	($17)	($14)	($17)	($21)	($14)	($16)	($19)	($11)	($22)	($20)	($17)	($200)	($311)	($421)
Gross Margin	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$11**	**$18**	**$26**
Operating Expense															
(-) eBay Program Manager (1 SHC)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)
(-) Required Incremental Operating Expense	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**
Initiative EBITDA	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$11	$18	$26
Margin (%)	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*6%*	*6%*	*6%*	*6%*	*6%*	*5%*	*5%*	*5%*	*6%*

V. Why Sears Holdings can Make it

Why Sears Holdings can make it

- Despite our recent headwinds Sears is still the 3rd largest appliance retailer in the US with 15.3% market share
  - Lowes has 25.8% share; Home Depot has 17.1%; Best Buy has 13.7%
- Sears is the number one home service and direct delivery provider
  - Amazon, Costco, Icon Home Fitness and others are leveraging Sears' capabilities, which adds revenue & value to Innovel and Home Services; this is a unique strength that Sears has over other market competitors with high barriers to entry
- Sears' physical presence with strategic locations support a showroom concept that is important on big ticket, considered purchases; combined with our online business (40% of purchases), delivery capabilities and Home Services capabilities are a powerful differentiating combination
- We have the ability to expand our reach in the hardlines categories through scaling the small format concept.
  - We are moving into urban markets as millennials are choosing to live and work downtown
  - Moving into fast growing geographies with greater speed and agility, as well as replacing some of our recently closed store locations, further leveraging our overhead and unique delivery & service capabilities
- In addition to the hardlines opportunity (40% of sales), Sears also has a strong and growing softlines business (40% of sales) which complements hardlines more considered purchase behavior, adding frequency and everyday accessibility for our members; members who purchase tools are the biggest purchasers of men's denim and work boots
  - Diehard work boots are the market share leader and are another Sears differentiator
- Sears has an expansive financial services platform that supports member purchases and generates significant profitability through its Citi credit card agreement
  - The Citi credit card agreement also has multiple avenues growth

Why Sears Holdings can make it *(cont'd)*

- Kmart is profitable, adds diversity and has a complimentary network that leverages corporate resources
  - Kmart's members shop more frequently than Sears' customers do
  - Kmart's business is less cyclical and less reliant on big ticket purchases
  - Kmart has a profitable off-shore business where it has a competitive advantage
  - Kmart allows sourcing to leverage additional volume to achieve better costing with more preferred vendors
  - Kmart provides an additional loyalty benefit to members who earn points on larger purchases
- Sears Holdings has a robust digital platform that supports both Sears and Kmart, with 145MM total registered users including 61MM contactable members and 28MM 12-month active users; of the active users, 13.5MM have redeemed points in the last 12 months

To capture this opportunity, we would address our physical presence through strategic store upgrades and a consumer confidence campaign, reinforcing its unique product & service offering that will make it relevant for years to come

Appendix

The Online team is focused on delivering significant growth to retail

Online Growth Strategy

- The online growth plan emphasizes on driving 3 areas of focus:
  1. Improve the basics – visits, conversion rates, and average order value (AOV)
  2. Deliver needle mover initiatives
  3. Instill operational excellence

To achieve this growth plan ($1.3BN incremental revenue by ‘21 and $3.5BN by ‘23), we will need to invest primarily in talent acquisition and technology improvements

Key Growth Initiatives

- Improve conversion metrics over time to industry average (each 20 bps increase on a $1.5BN business equates to $150MM)
- Drive personalization with machine learning
- Leverage marketplace to accelerate selection growth with all core platform capabilities (e.g. leasing)
- Deliver a best-in-class experience for our best categories (Home Appliances and Apparel)
- Continue Mobile First – Accelerate app adoption (2x higher conversion rate than mobile web)
- Test new business models: test before you buy (apparel and footwear), appliance upgrade payment model (allow members to upgrade to latest innovation), subscription services (consumables, apparel, and other frequency categories)
- Reconfigure our fulfillment network to be “less dependent” on fusion sales

[DRAFT – Subject to Review]

IT is performing an exhaustive contract review to take advantage of the chapter 11 contract rejection opportunity

Detailed Contract Analysis

	Reject	Eliminate	Reduce	Renegotiate	Review	Total
MT Contracts						
Number	1	102	17	-	7	127
$ Value	$1,628,151	$62,348,847	$30,101,120	-	$2,603,728	$96,681,846
Number Prepaid	-	6	1	-	-	7
$ Value Prepaid	-	$6,149,100	$252,000	-	-	$6,401,100
Contracts that Cover MT & Non-MT						
Number	-	2	13	1	-	16
$ Value	-	$89,743	$61,264,935	$5,287,539	-	$66,642,217
Number Prepaid	-	-	-	-	-	-
$ Value Prepaid	-	-	-	-	-	-
Non-MT Contracts Managed by MT						
Number	-	2	21	1	1	25
$ Value	-	$8,047,945	$13,460,133	$1,313,264	$582,530	$23,403,872
Number Prepaid	-	-	1	-	1	2
$ Value Prepaid	-	-	$6,353	-	$4,253	$10,606
Total Contracts						
Number	1	106	51	2	8	168
$ Value	$1,628,151	$70,486,535	$104,826,188	$6,600,803	$3,186,258	$186,727,935
Number Prepaid	-	6	2	-	1	9
$ Value Prepaid	-	$6,149,100	$258,353	-	$4,253	$6,411,706

Summary

168 contracts reviewed with an annual expense of $187MM (out of 210 total contracts with spend of $198MM)

Summary Status:

- Reject – 1
- Eliminate – 106
- Reduce – 51
- Renegotiate – 2
- Review – 8

Key

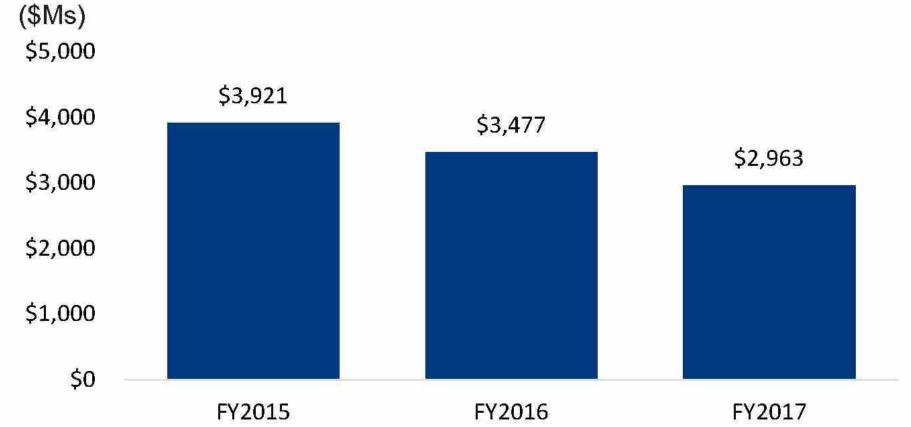
- Reject – will reject contract
- Eliminate – will not renew
- Reduce – will reduce spend
- Renegotiate – will need to negotiate new terms – we cannot just reduce
- Review – decision not made

Kenmore Business Summary

Business Overview

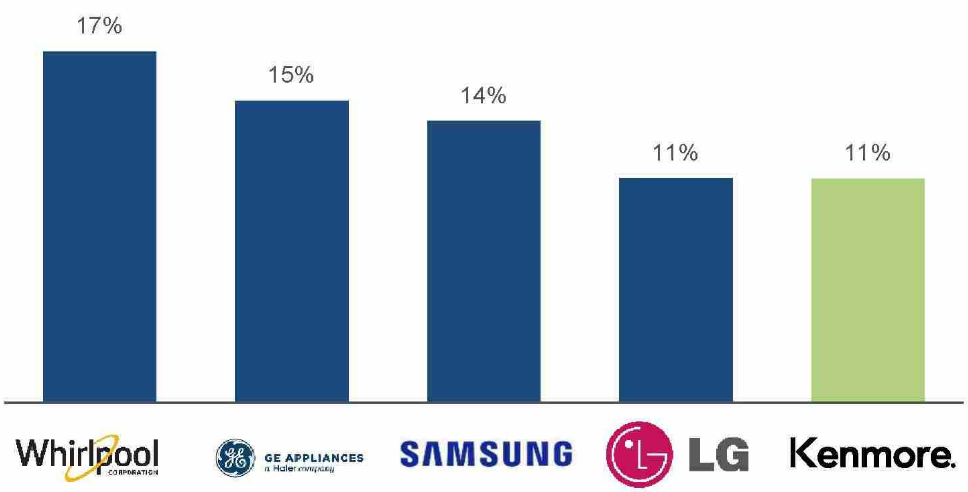
- Kenmore is broken into two business units
  - Major Home Appliance: Markets and sells refrigerators and freezers, laundry washers and dryers, cooking ranges and ovens, and dishwashers (#5 overall ranked leader in major appliances (11% U.S. sales share))
  - Small Appliance: Markets and sells small kitchen appliances, water softeners, electric air cleaners, vaporizers, vacuums, steam cleaners, room air conditioners, outdoor grills and over the counter microwaves
- The majority of its products manufactured via contracts with OEMs
- The majority of its current distribution via Sears-branded retail stores but with rapidly growing third-party distribution (e.g. Amazon)
- No. of Households: ~100MM as of 2017E (cumulative)

Historical Revenue[1]



Leading U.S. Market Share

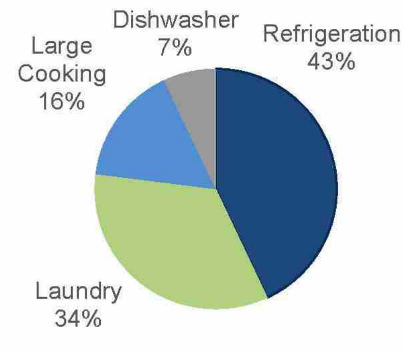
(2017E Sales Share by Brands, %)



Financial Overview

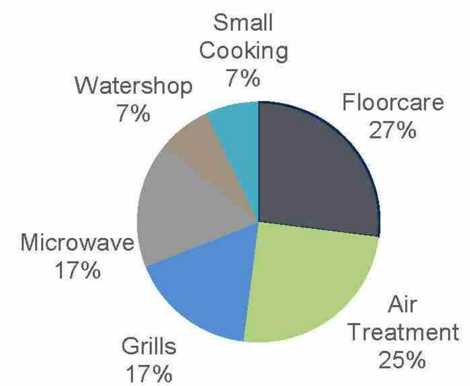
(LTM Dec 2017 Sales)

Major Home Appliance



$2.5BN in Sales

Small Appliance



$348M in Sales

(1) Gross retail sales per CIM – Kenmore records revenue based on gross retail sales (included in Hardlines) or its license revenue from Sears sales of Kenmore branded products and third party sales

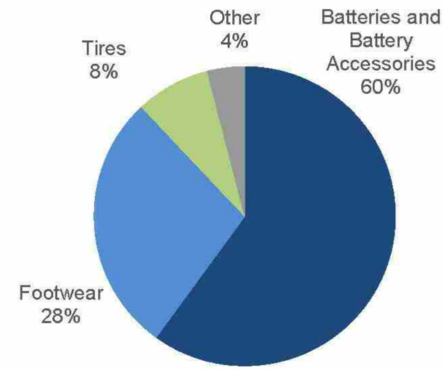
[DRAFT – Subject to Review]

DieHard Business Summary

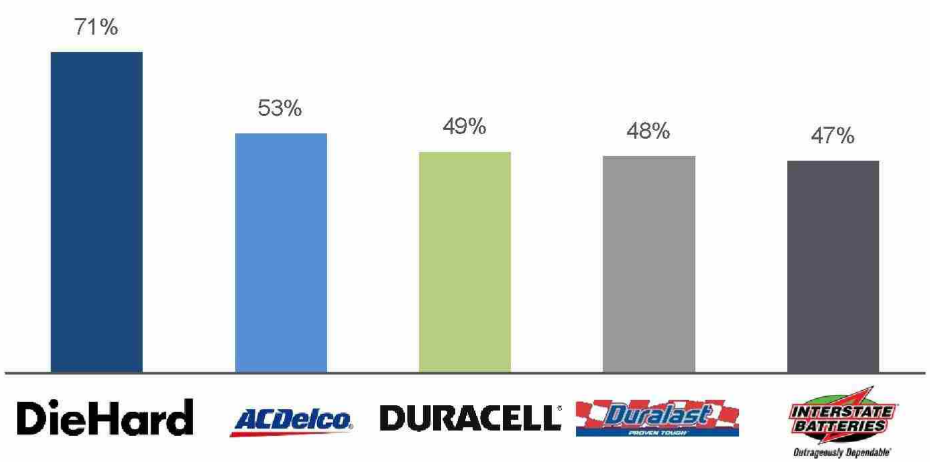
Business Overview

- Leading provider of power solutions since 1967
- Current U.S. sales share of 4% for vehicle batteries
- Products sold primarily through Sears channels, with select external retail distribution
- All products are manufactured by leading contract manufacturers, required to comply with DieHard high quality standards
- Well-balanced portfolio of vehicle batteries, with well-developed strategies for new product introductions in adjacent and peripheral industries
  - Adjacent (Power): Connected Lighting Solutions, Solar Power Solutions
  - Peripheral (Lifestyle): Rugged Wear, Extreme Wear

Revenue by Segment



Brand Awareness



Select Products

Vehicle Batteries

- Offered for Auto, Marine & RV, PowerSport and Lawn & Tractor

Vehicle Battery Back Up

- Various applications range from jumping a car battery to powering laptop within a car

Portable Power and Lights

- Categories include tool batteries, alkaline batteries, flashlights and LED lights

Work Boots

- High-performance boots, offered in both slip-ons and lace-ups

Tires

- Mid-Tier Passenger car tires manufactured by Kumho sold in SAC

Consumer Electronics

- Categories include Powerbanks, Chargers, Charging station, Phone cases and headsets

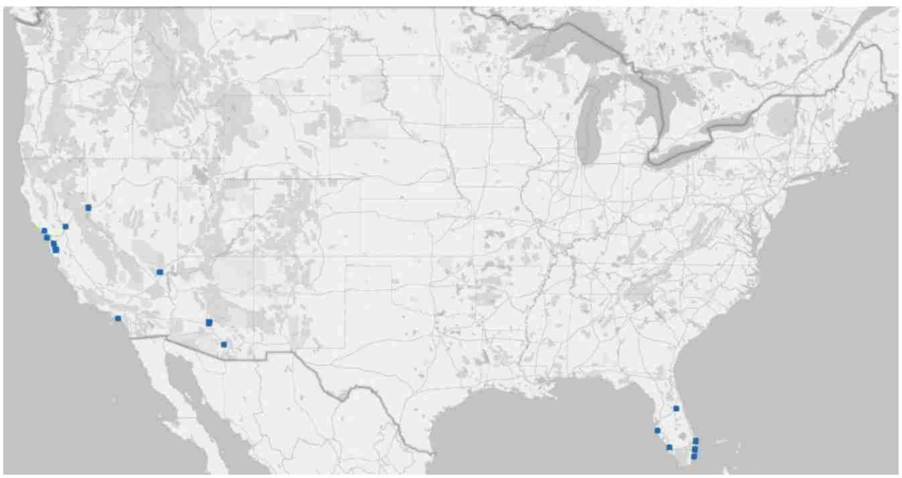
Monark Business Summary

Business Unit Overview

- Monark Premium Appliance Company and its affiliates form a nationwide distributor of premium home appliances that serve architects, builders, designers, developers and homeowners
- Monark represents a partnership between three leading distributors: Florida Builder Appliances, Westar Kitchen & Bath and Standards of Excellence
- Showrooms provide customers with premium cooking, cooling and cleaning appliances
- Monark operates within the larger Hardlines business
- Established June, 2015

Store Locations

20 showrooms across Arizona, California, Florida and Nevada



Select Brands

Alfresco
ASKO Inspired by Scandinavia
best
dacor
DCS by Fisher&Paykel
Electrolux
SAMSUNG
Scotsman
Speed Queen
SUB-ZERO
SUMMIT APPLIANCE
Thermador
U-LINE
VentAHood
VIKING PROFESSIONAL
GE
LA CORNUE
LG

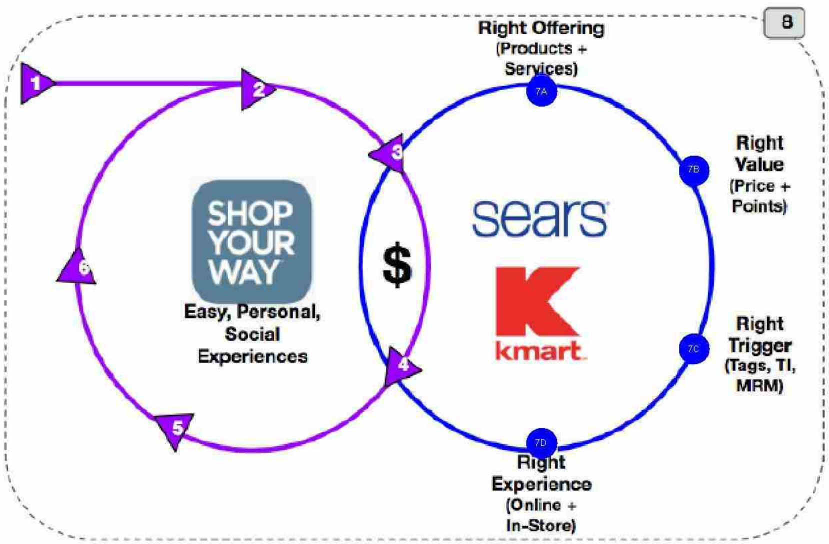
[DRAFT – Subject to Review]

ShopYourWay Business Summary

Business Unit Overview

- ShopYourWay (SYW) is an integrated B2C, B2B, and B2B2C platform that provides personalized data & insights, analytics, marketing and rewards capabilities to customers and partners
- Data and Insights platform draws on more than 100 billion data elements across 160 data sources and 4,000 variables enabling thousands of unique member segments
- Dynamic analytics engines & algorithms identify changes in behaviors, score members in real time, and power decisions through relevant marketing channels
- Targeted marketing capabilities optimize communications, offers, timing, and channel driving the desired member behavior
- Rewards program provides one currency earned across multiple partners to drive member loyalty

ShopYourWay and the Sears Ecosystem



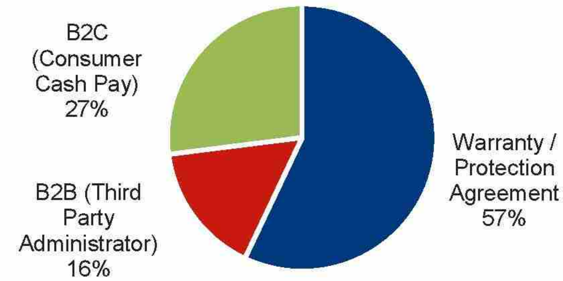
1. Compelling Value Prop + Easy Linkage drives sign-ups for programs, services, partners
2. Engagement in the ecosystem rewards members with SYW points and builds profiles for members
3. Personalization and Service platforms connect members to products and services
4. SYW Points and Partner Funding deliver value for members and create a multiplier/leveraged model for Sears/Kmart
5. Ecosystem Engagement provides feedback needed to expand / tailor the offering
6. Member Engagement / Redemption create more demand and performance for partners, which creates more opportunities for members and profitable growth
7. Journeys/ Categories creates and curate new product offerings (7a), develops the value proposition (7b), uses data to tag, target and deliver personalized offers (7c), and connects the online/instore experience (7d)
8. Markets Team drives the end-to-end system at a member, store, and community level, creating new capabilities for the go-forward integrated retail business

In Home Repair Overview

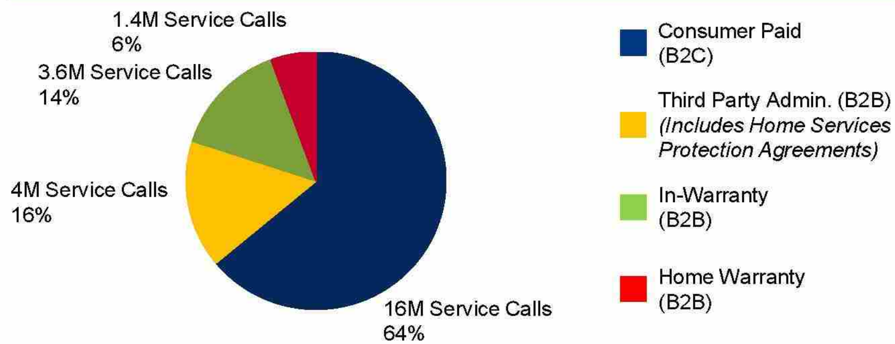
Business Overview

- In-Home Repair is a leading national provider of appliance repair services in the U.S.
- Provides B2C + B2B repair services for appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools and HVAC systems under the Sears and A&E Factory Service brand names
  - Customers can book an appointment in-store or by phone / online and receive a preliminary diagnosis from trained professionals
  - Appliance repairs are covered by a 90-day satisfaction guarantee
- Approximately 4,500 trained in-house service techs complemented by over 800 independent contractor firms within 1099 labor network
  - Home Services has access to total network of 1.5M+ units of repair capacity via its 1099 network(1)
- Over 40% of technicians have more than 10 years of experience
- Provides services in 50 states, the District of Columbia, Guam and Puerto Rico through ~50 district locations and other support locations

In-Home Call Volume



Appliance Repair Marketplace



Top B2B Customers

American Home Shield
american WATER HEATERS
asurion
THE CROSS COUNTRY GROUP.
FIDELITY NATIONAL FINANCIAL
First American
GE
LG
LOWE'S
Nicor Gas An AGL Resources Company
SAMSUNG
SERVICE NET
Warrantech
2-10 HOME BUYERS WARRANTY.

Assurant is providing a 3rd party protection agreement solution to ensure SHC can continue to sell protection agreements to its members

Commentary

- Assurant has best overall economics (especially in the aftermarket), 3 year term, no upfront reserve payment, additional B2B service volume
- Pre-petition, we were collecting ~$12.5M of cash per week
  - Currently collecting ~$2.5M of cash per week due to suspended sales in 34 states
  - With Assurant solution, we will collect ~$3.5M-$4.0M of cash per week
- Margin impact over the life of a PA contract is $4 less than pre-petition
  - Year one (one time) 4x improvement to SHS PA contract EBITDA due to immediate revenue recognition; $8 increasing to $32 on a per policy basis
- Will be live in 39 states immediately after contract signing, final 11 states will have various timing depending on state procedures
  - Goal is to have all states live by Thanksgiving
- We will continue to use our existing programs, so no need for re-training or operational change other than collateral for term and conditions
  - Retail continues to get full commission on sales
- Sears Home Services retains ownership of the customer

Summary of Terms

No Underwriter

	Retail			Aftermarket	
	Price	$200		Price	$144
25%	Loss cost	($49)	58%	Loss cost	($84)
100%	TLR	$0	100%	TLR	$0
	Dealer Net	($49)		Dealer Net	($84)
4%	Admin Reserve	($9)	10%	Admin Reserve	($15)
0.0%	Risk/UW/IPT Fee	$0	0.0%	Risk/UW/IPT Fee	$0
	Total Reserves	($58)		Total Reserves	($99)
	Revenue (Initial Cash)	$200		Revenue (Initial Cash)	$144
50%	Retail	($100)	12%	Acquisition	($17)
	SHS (Excess)	$100		SHS (Excess)	$127
	Total Expenses	($58)		Total Expenses	($99)
100%	Profit Share	$0	100%	Profit Share	$0
	Home Services	$42		Home Services	$28
	Sears Total (excl 9.5% comm)	*$142*		*Sears Total*	*$28*
	Margin %	*21%*		*Margin %*	*19%*

Assurant

	Retail - Sears				Aftermarket	
	Price	$200			Price	$144
25%	Loss cost	($49)		58%	Loss cost	($84)
90%	TLR	($5)		90%	TLR	($9)
	Dealer Net	($54)			Dealer Net	($93)
4%	Admin Reserve	($9)		10%	Admin Reserve	($15)
6.5%	Risk/UW/IPT Fee	($4)		6.5%	Risk/UW/IPT Fee	($6)
	Total Reserves	($67)	*16%*		Total Reserves	($114)
	Revenue (Initial Cash)	$133	*-33%*		Revenue (Initial Cash)	$30
50%	Retail	($100)		12%	Acquisition	($17)
	SHS (Excess)	$33			SHS (Excess)	$12
	Total Expenses	$0			Total Expenses	$0
80%	Profit Share	$4		80%	Profit Share	$7
	Home Services	$38	*-11%*		Home Services	$20
	Sears Total (excl 9.5% comm)	*$138*	*-3%*		*Sears Total*	*$20*
	Margin %	*19%*			*Margin %*	*14%*

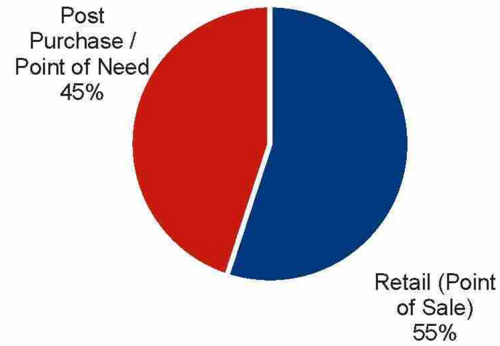
Service Contracts Overview

Business Overview

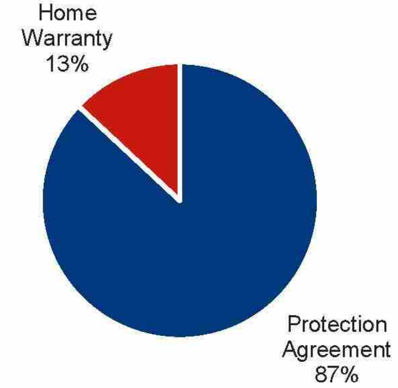
- Service Contracts: Leading national provider of service, replacement and home warranty contracts under the Sears, Kmart and A&E Factory Service brand names
- Two primary contracts: Protection Agreements and Home Warranty
  - Various coverage and term offers to meet customer repair and replacement needs
  - Contracts cover appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools, HVAC systems and select other merchandise
  - In 2014, began offering the Sears Home Warranty Plan
    - Single protection plan that covers the repair or replacement of major home appliances and systems regardless of their age, brand or point of sale
- Contracts sold via SHC retail locations (point of sale) and through post purchase / point of need channels, including telemarketing, direct mail, In-Home Repair Services technicians and call center associates
  - Currently approximately 10M contracts in force
- In-Home: Provides repair services for appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools and HVAC systems under the Sears and A&E Factory Service brand names
  - Approximately 5.2 million in-home repair and maintenance events performed for all major brands during 2017
- Will begin offer Protection Agreements underwritten by Assurant in the coming weeks

Portfolio Mix (Service Contracts)

By Origin

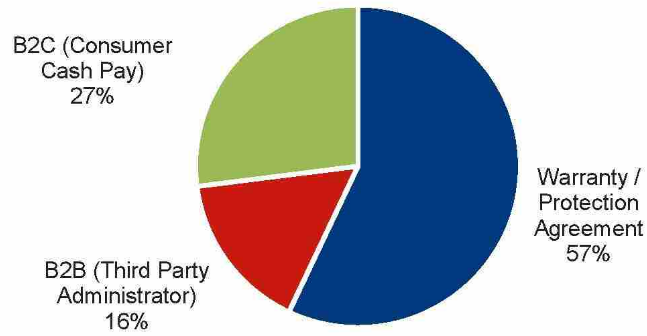


By Contract Type



In Home (by Repair Type)

(Represents call volume by type)



PartsDirect Overview

Business Overview

- PartsDirect provides repair parts & accessories for most major brand appliances, outdoor power equipment, water heaters and treatment to DIY consumers
- Primarily offer OEM approved replacement parts, with accessories and maintenance products driving incremental sales
- Peak sales period: March through September, coinciding with the Spring and Lawn & Garden season
- Core business in consumer space (via website and phone), with growing marketplace / third party

Channel Strategy

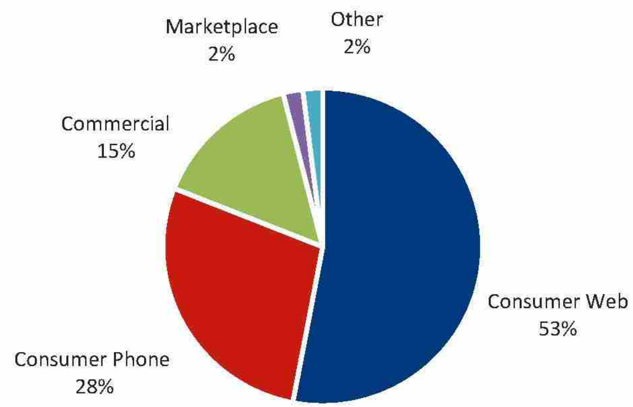
- Provide solutions via web, phone, commercial and third party marketplaces
- Fast-growing third party marketplaces (e.g., Amazon, eBay) primarily under the DIY Repair Parts brand
- Monetization strategy to leverage parts catalog
- Digital and social media marketing strategy driving increased visits to SPD.com and website rebuild improving conversion rate of users
- ~640 dedicated expert advisors located in 8 call centers assist consumers by phone

Customer / Need Overview

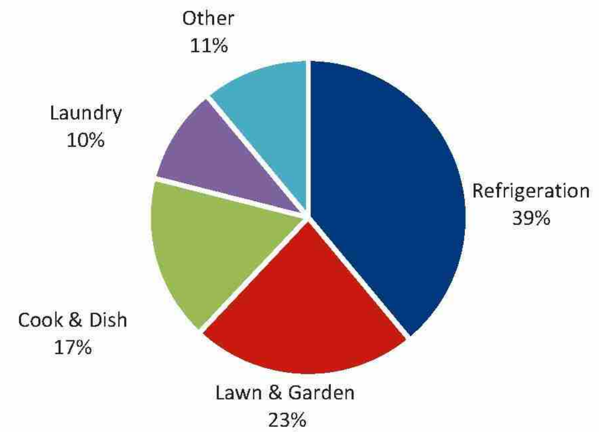
- 60% of customers primary reason for visiting site is to purchase a replacement part for their product (16% to research part replacement)
- 11.5% of purchasers are new to PartsDirect and 42% have done business with PartsDirect in the last 5 years

Portfolio Business Mix(1)

By Channel



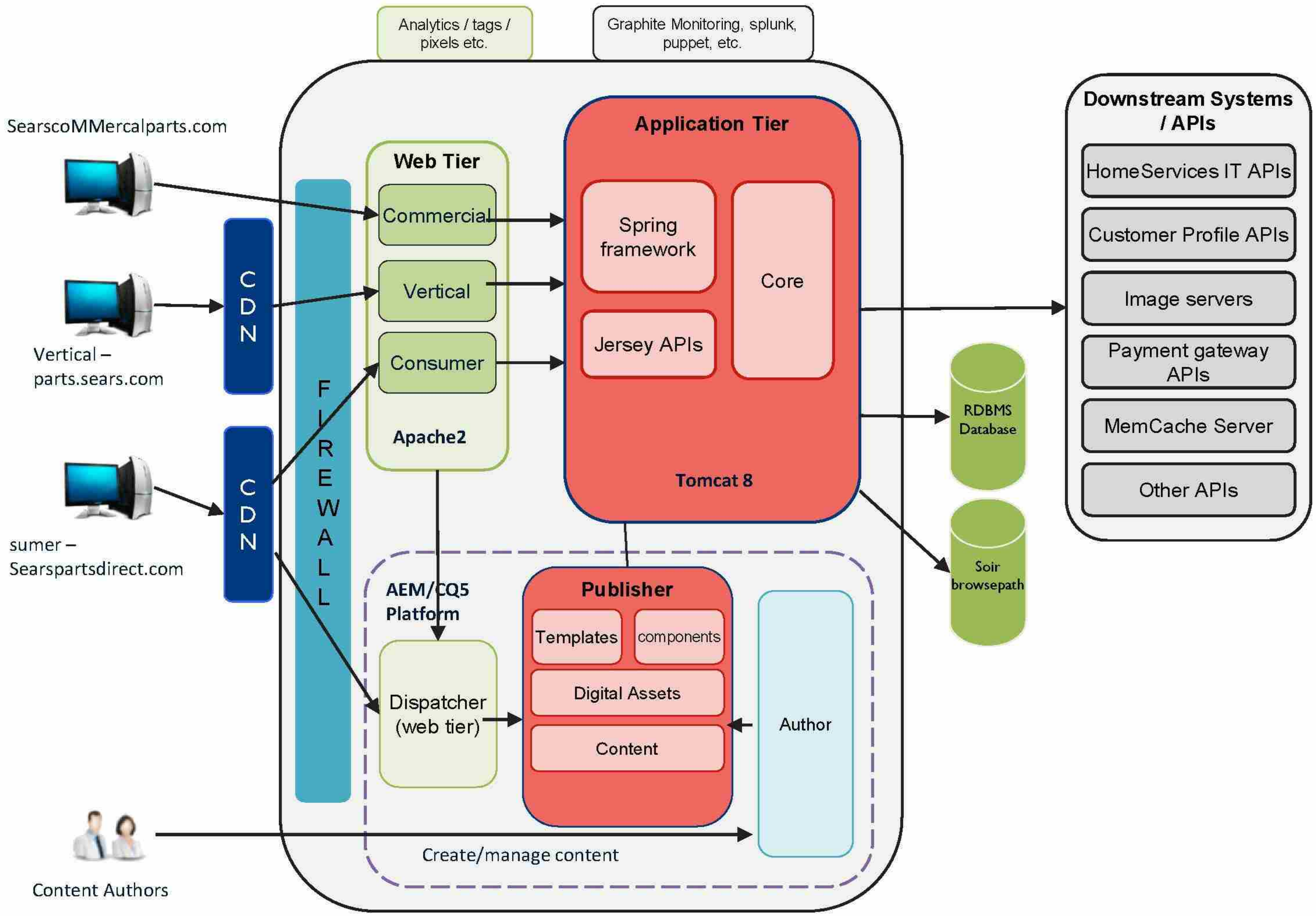
By Product



Note:
(1) As of FY2017

PartsDirect Existing Website Infrastructure

Current Site Architecture



Commentary

- Current application was built ~10 years ago
- Despite piecemeal improvement, legacy architecture limits delivery of fast and reliable business features
- Application is not scalable and also limited by on-prem infrastructure
- Application performance has been a lagging factor because of the old architecture
- Application is not resilient to downstream systems' outages
- Lots of inter-dependencies causes multiple failures

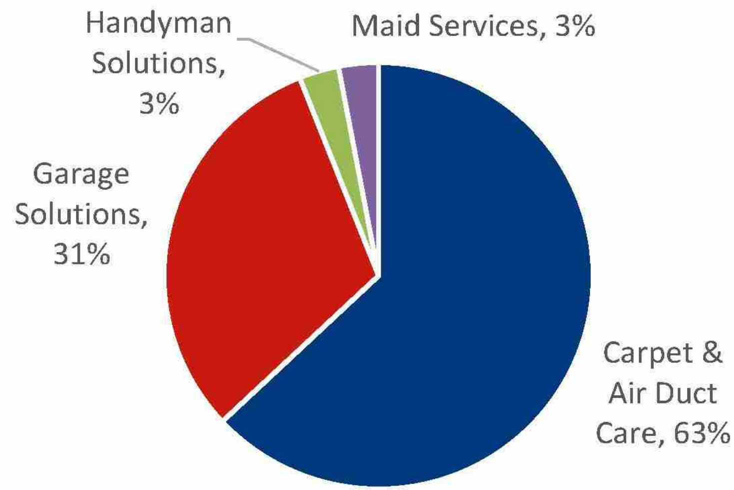
[DRAFT – Subject to Review]

Franchise Overview

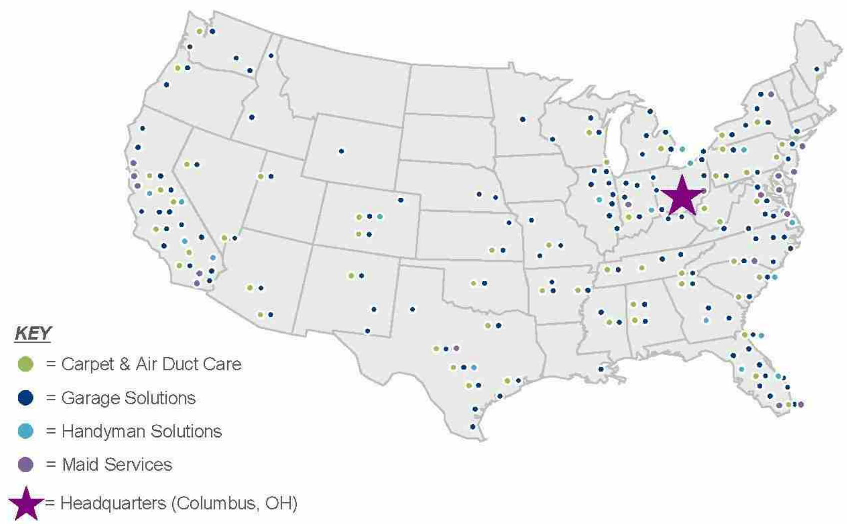
Business Overview

- Franchise services is a leading multi-service franchisor in the residential home service sector
- Services include carpet & upholstery care, air duct cleaning & indoor air quality, garage solutions, maid services and handyman solutions
- Franchise agreements are generally for a term of 10 years and are renewable
  - Revenue stream includes initial fee, royalty fee (6-10% of net revenue), monthly IT Support fee, renewal and transfer fee
- Franchise network managed through operational visits, phone calls, review of vendor statements and sales trends, customer satisfaction scores, background and insurance compliance and annual independent audits
- Over 390 active franchise territories across current franchise business models
  - In more than 375K homes annually
  - Approximately 76% service area coverage nationwide across business models
- In 2014, began offering handyman and maid services
- Approximately 40 corporate employees supporting the franchise network and branches
  - Functions include operations, IT, marketing and advertising, finance, customer service, R&D and search engine optimization
- Headquartered in Columbus, OH

Business Mix



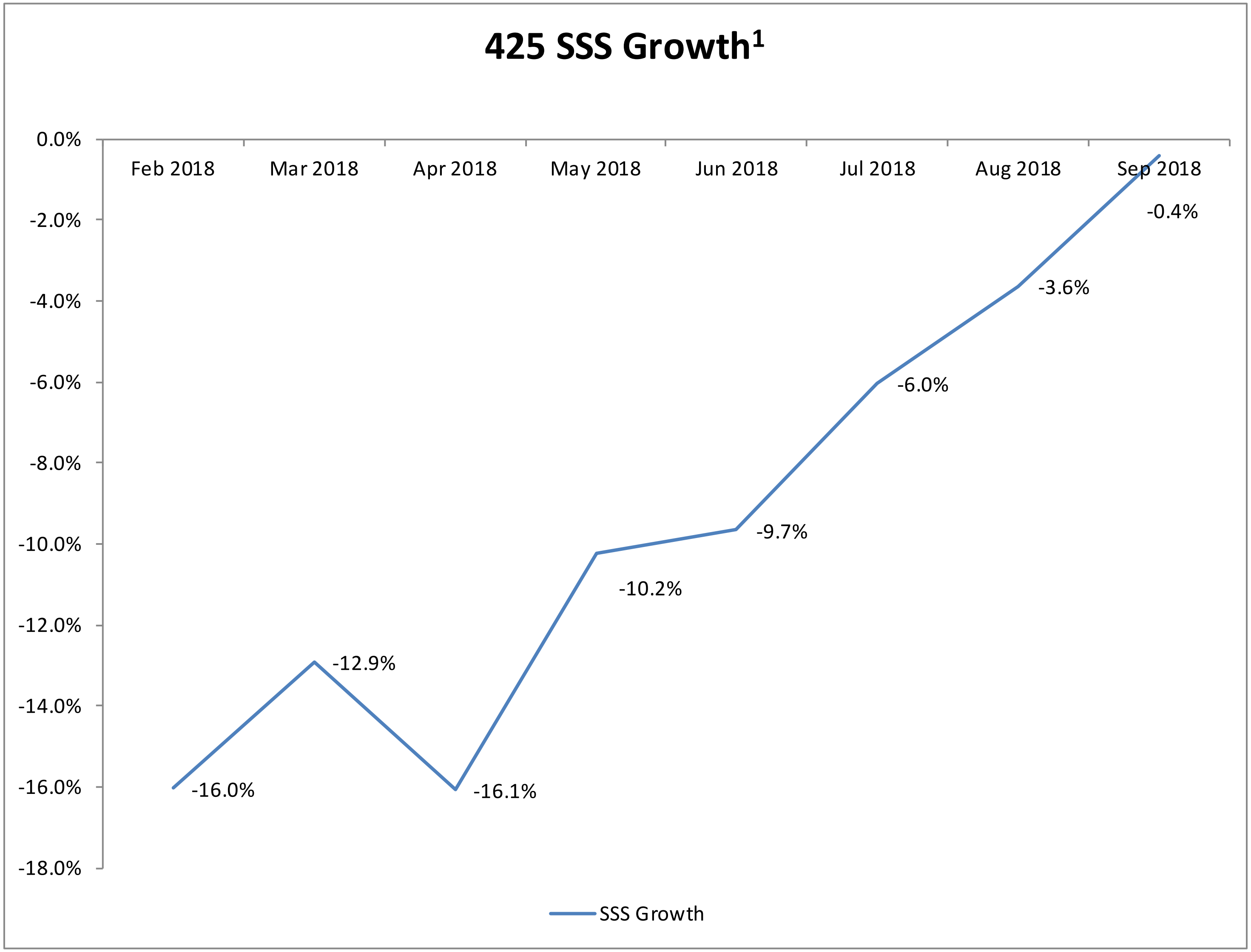
Franchise Locations



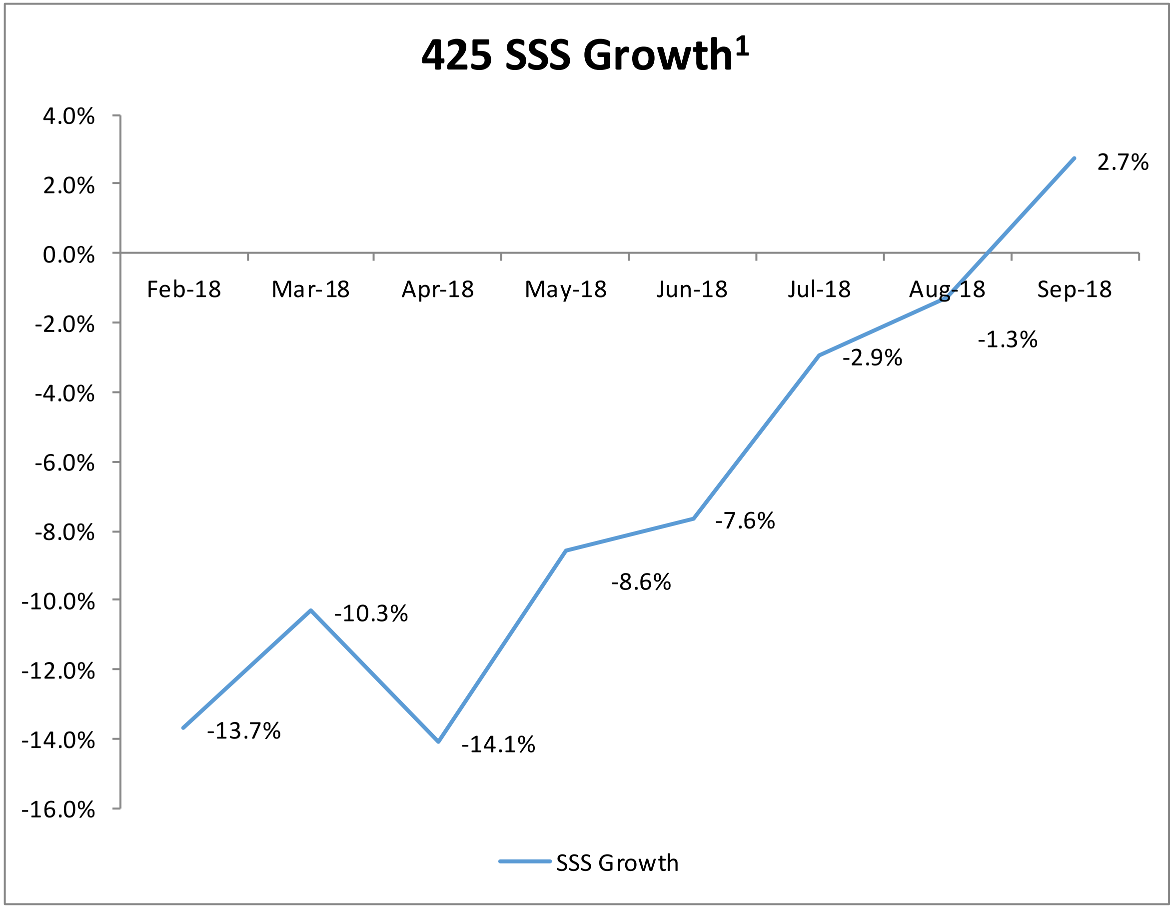
Highly Confidential

UCC_SEARS0000067

Exhibit D



1. SSS growth for 425 B+M stores only and is adjusted for the retail week calendar.



1. Same-store comps based on Company data. Includes online, excludes SAC, and is adjusted for the retail week calendar.